

# FINANCIAL TIMES

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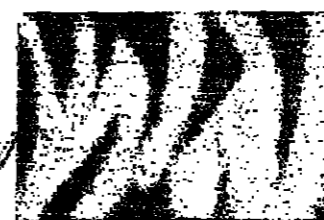
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World Business Newspaper <http://www.FT.com>

MONDAY MAY 26 1997

## Markets regulator in US considers radical reforms

The Securities and Exchange Commission, the US financial regulator, is considering the most sweeping revision of its powers in its 63-year history, in response to the growing influence of online trading and alternative stock exchanges. The changes could encourage the formation of stock exchanges on the internet, cut the regulatory burden on small exchanges and allow the nation's largest markets more flexibility in offering new products. Page 16; Call for European extranet, Page 11

**Citicorp**, the US bank, has abandoned plans to buy a fund management business and instead has recruited Peter Carman, former head of equities at Boston-based Putnam Investments, to be its chief investment officer, in the hope that he will attract other high-powered money managers. Page 17

**Cuba defiant in hardline stance:** Cuba's ruling Communist party, turning a deaf ear to international calls for political reform, has published a policy document asserting that one-party socialism is the island's only effective defence against US hostility. Page 4

**Army coup in Sierra Leone:** Junior officers in Freetown announced the overthrow of the civilian administration of Sierra Leone's president Ahmed Tejan Kabbah, ending a short-lived experiment with democracy. Page 4

**Brussels may curb state aid to industry**

The amount of state aid that European governments give to industry would be cut sharply if tough proposals drawn up by the European Commission come into force. As part of a proposed crackdown on a recent rise in state aid levels, Karel Van Miert, left, competition commissioner, is targeting government subsidies to industry in the European Union's needy regions. Page 2

**Bank Handlowy**, one of Poland's largest banks, could be valued as high as \$1bn when it goes on sale today in central Europe's largest privatisation of a financial institution. Page 17

**Formula One** still a runner: Plans for the \$3.2bn flotation of Formula One Holdings, the motor racing series controlled by Bernie Ecclestone, were still on track in spite of a row with racing legends over terms. Page 16

**Serbian banks combine:** In an effort to restructure Serbia's ailing banking system, the state-owned Beogradska Banka has announced the formation of a group of at least 20 banks. Page 17; Bank to borrow, Page 18

**Fire kills 130 looters:** Arsonists set fire to a shopping mall in Banjarmasin on the island of Borneo, killing at least 130 looters who had charged inside during a political riot in the Indonesian election campaign, police said.

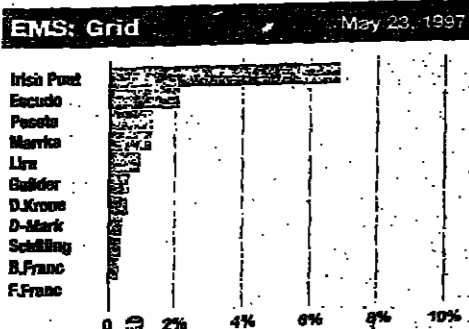
**Romania receives neighbour Hungary's** president Arpad Gombaszegi arrived in the Romanian capital of Bucharest on the first visit by a head of state in the history of the two countries. His host, Emil Constantinescu, said it was "a symbol in this troubled zone of the Balkans".

**Acceptance for Taliban:** Pakistan became the first country to recognise the Taliban Islamic militia as Afghanistan's government. Taliban success stirs fears. Page 3

**France searches for missing coins:** Officials at the Monnaie de Paris, the body responsible for minting French coins, have launched an inquiry into why large quantities of coins are disappearing from circulation. Page 2

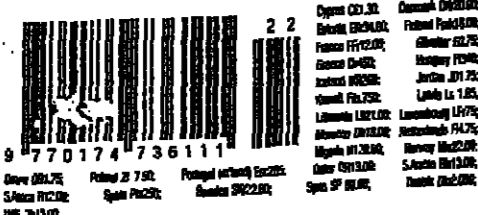
**England cricket sweep:** England completed an unexpected 3-0 sweep of Australia in one-day cricket internationals, comfortably overhauling Australia's 289 with six wickets to spare. The win gave England their first series win over Australia since taking the Ashes and the World Series Cup one-day event in a 1986/87 tour.

**European monetary system:** The EMS grid remained static last week, with only the Irish punt moving. The punt fell back, to below 7 per cent away from its central rate within the exchange rate mechanism. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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## China's fledgling tourists spread their wings

By James Harding in Shanghai

Mrs Jiang and her family have just got back from holiday and are unpacking their swimming trunks and sun cream after a week on Thailand's beaches.

Mrs Jiang's husband, a retired electrician living off a modest fortune from Shanghai property, wishes more of his countrymen could take a vacation abroad.

"China's seaside is yellow brown, but Thailand's waters are clear and fresh. More Shanghaiese should get the

chance to see the real sea," he says. It was hardly a pioneering trip, but the Jiangs are in the vanguard of the mainland Chinese holidaymakers set to change the face of international tourism.

When Shanghai's China International Travel Service, one of many travel agencies in China's most cosmopolitan city, started offering trips to Thailand, Malaysia and Singapore in 1994 just 300 people signed up for holidays abroad.

Last year, 3,000 Shanghaiese went for a week in the

sun. Mr Song Chaoqi, general manager of the agency, says: "Overseas tourism is developing very fast. In the old days people saved all their money. Now spending money is fashionable and they want to get away for some relaxation."

Foreign travel was usually prohibited in Mao's China, and in the early years of China's reforms neighbouring countries were reluctant to host Chinese visitors, fearing millions might never leave.

But as China's urban elite has grown more affluent, some

Asian countries have started offering tourist visas.

Now Japan and Australia are considering granting visas to Chinese package holiday-makers, banking on a potentially vast source of revenue.

Most of the 5.06m Chinese people who left the country last year were travelling on official business.

The days of young Chinese backpacking abroad are still a long way off. Passports - let alone visas - are not yet freely available. But some 1.64m people went on trips organised

by travel companies and a growing proportion of them are paying their own way.

This year, Thailand is the tourist hot-spot for wealthy mainland Chinese. For Yn5,800 (\$688) CITS offers a one-week package trip including four or five days on the beach, two nights in Bangkok, a day's shopping and a Thai cabaret evening.

The typical Chinese holiday-maker is not interested in sunbaths or sex, like many western tourists. "The philosophy is spend less money, see more

places. They want to hurry from one sight-seeing spot to another," Mr Song says.

Beijing has made great efforts to attract foreign visitors - 1997 is "Visit China" year - but has only just started to address the rapid growth in tourists from China. The government is quietly concerned about the potential loss of foreign exchange, and, according to proposals being considered by the tourism ministry, "the number of Chinese visitors going abroad should be controlled".

## France turns to the left in first round of election and leaves contest wide open

### French poll rebuffs the government

By David Buchan, Andrew Jack and David Owen in Paris

Background to election — Page 2

French voters yesterday delivered a stinging rebuff to the ruling centre-right coalition in the first round of the country's parliamentary elections, according to early exit polls.

Parties of the centre-right polled less than the combined forces of the left, according to the first voter surveys.

The far-right National Front looked set to benefit from protest voting, scoring an estimated 15 per cent.

If confirmed, the first-round result would turn the crucial run-off election on June 1 - when most of the 577 National Assembly seats will be decided - into a wide-open contest, and put the position of Mr Alain Juppé, the Gaullist prime minister, into immediate question.

The left - composed of the Socialists, Communists and smaller left-wing parties - was credited with a total of 44 per cent, according to the Sofres polling organisation, compared to 36.8 per cent for the Gaullist RPR and centre-right UDF coalition, plus the independent right. An estimate by BVA polling gave the left 40.7 per

cent over 37.2 per cent for the right.

Polls during the campaign showed the left at best level with the right in votes, but still behind in projected seats.

"It is a blow and a warning," said Mr Jacques Toubon, justice minister and number two in the government, adding: "We need to rediscover our electorate" in time for the second round.

Mr Laurent Fabius, a former Socialist prime minister, said the result was "a disavowal of government policy", while Mr Jean-Pierre Chevènement of the Citizens' Movement, which is allied to the Socialists, said President Chirac had "lost his bet".

Mr Chirac had called the early election in a bid to give the government a free hand for the next five years to steer France into European monetary union.

Mr Bruno Mégret of the far-right National Front (NF) also said it was a slap in the president's face. The NF was a major beneficiary of the protest vote, polling around an estimated 15 per cent. Ecologi-



Uneasy rider: Alain Juppé's position as prime minister has been called into question after voters rebuffed the ruling coalition

cal and fringe parties on right and left also benefited, scoring between 2.3 per cent each.

However, the ability of the NF to play kingmaker on June 1 may have been reduced by the low turnout of less than 70 per cent, which may hamper its candidates making it into the second round.

Among the big battalions, the RPR-UDF fared worse, scoring only 31.5 per cent

according to both Sofres and BVA polls.

Despite the wide dispersal of votes, the Socialists held up well with around 26.5-27 per cent of the vote, according to these two exit polls, while their Communist allies pulled in 9.5 per cent of the vote.

To win on the first round a candidate needed to get 50 per cent or more of the vote. So with a record number of candi-

dates splitting the vote, yesterday's poll will have settled very few seats.

But projecting last night's result into possible seat gains on June 1, Sofres gave the Socialists and their Green and smaller allies between 342-272 seats, with the Communists gaining 21-30 seats.

Set against this was an estimate of 255-287 seats for the RPR-UDF, with the NF per-

haps getting up to three seats. Last night's polls only apply to the 555 seats in mainland France. The right usually holds most of France's 22 overseas constituencies.

The campaign has been one of the shortest in recent French history, after President Chirac dissolved the National Assembly on April 21, 11 months earlier than legally required.

## Brewery chairman to head SA police force

By Mark Ashurst in Cape Town

The South African government has appointed one of the country's most prominent and outspoken industrialists to revitalise the beleaguered police force in its battle against a national crime epidemic.

Mr Meyer Kahn, chairman of South Africa's biggest industrial group, will take up his new job as chief executive of the South African police service on August 1. He is the first civilian to hold the post.

The appointment was announced on Saturday by Mr Thabo Mbeki, deputy president, who said it would "direct and accelerate the conversion of the police service into an effective law enforcement and crime prevention agency".

South Africa's level of organised crime is believed to be the third-highest in the world after Colombia and Russia.

Mr Kahn, 57, was a prominent figure in last year's public brawl between big business and government over the future direction of economic

Continued on Page 16  
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## Russians strike Gazprom deal

By Christia Freeland and John Thornhill in Moscow

The Russian government will today sign an agreement with Gazprom, the country's largest company, to bolster its campaign to keep a rein on natural monopolies.

The agreement with the giant gas company and its chairman, Mr Rem Vyakhirev, means that Russia's most powerful corporate boss must observe tough performance criteria. Most significantly, Mr Vyakhirev's salary will be calculated as a percentage of the dividends the company pays to the government.

The deal is an important victory for Mr Boris Nemtsov, the reformist first deputy prime minister, who has led the state's attack against the previously sacrosanct monopolies.

In an interview with the Financial Times at the weekend, Mr Nemtsov said the deal would cut the power of Gazprom managers, who have operated the company as a secretive fiefdom.

The agreement replaces a 1993 deal which, according to Mr Nemtsov, had offered Gazprom managers options to buy a controlling stake in the enormously valuable company at a fraction of its market price. Mr

Nemtsov said the new pact was a sign the government was winning in its effort to create an open, competitive market economy.

"We were able to change the trust agreement, which is very important," Mr Nemtsov said. He said even Mr Victor Chernomyrdin, the prime minister and a former Gazprom chief, supported state efforts to bring Russia's largest company back under control.

Even on such a delicate problem as Gazprom, there is no opposition, because Mr Chernomyrdin feels himself to be the head of the government and not the former head of Gazprom," he added.

Mr Vyakhirev will be appointed manager of the state's 40 per cent stake in the company, but with conditions, including the link between his salary and dividends. Although Gazprom is Russia's biggest company, over the past two years it has paid the Russian Treasury just Rb520bn (\$3.5m) in dividends.

Mr Vyakhirev must also ensure open access for other companies to Gazprom's gas pipeline and provide Mr Nemtsov - who as energy minister heads a government board that oversees the company - with complete financial reports every quarter.

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## Brussels may curb state aid to industry

By Emma Tucker in Brussels

The amount of state aid that European governments give to industry would be cut sharply if tough proposals drawn up by the European Commission come into force.

As part of a proposed crackdown on a recent rise in state aid levels, Mr Karel Van Miert, the competition commissioner, is targeting government subsidies to industry in the European Union's needy regions. He also wants to depoliticise the process by which the Commission vets state aid, making it harder for governments to influence the outcome of decisions.

At present governments are able to subsidise up to 75 per cent of investments in the EU's most underprivileged regions. In less poor but still needy regions, the figure is 50 per cent. Under proposals to be put to industry ministers over the coming months, the ceilings would be cut to 50 per cent and 20 per cent respectively. "The levels of aid that are allowed to be given are too high," says Mr Van Miert. "The closer you look at today's situation the more you come to the conclusion that state aid is really distorting competition."



Van Miert: 'state aid distorting competition'

There is a suspicion that the regime is doing more to help companies which shop around for government subsidies, than to overcome real regional problems.

Officials are also drawing up proposals for a "multi-sectoral" framework under which all state aid over Ecu50m (\$57m) would be examined by the Commission, a move that would give Brussels more control over the biggest, most distorting cases of state aid.

In an effort to make its role as overseer of fair competition more objective, the Commission wants to set time limits for the handling of state aid cases, and to open up the vetting procedure to third parties, such as competitors.

"So long as the state aid procedure is just something between the Commission and the member states, the Commission does not have the clout to stand up to governments," says Mr Christian Ahlborn, a lawyer at Linklaters & Paines, a British law firm.

Mr Van Miert's plans come in response to criticism that excessive state aid to industry, particularly in the richest member states, is distorting competition in the single market.

The proposals are likely to face opposition from governments that do not want their hands tied when it comes to assisting national champions. Mr Van Miert is expecting strongest resistance from Germany.

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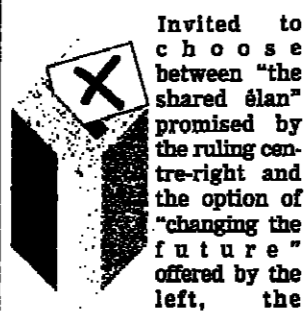
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French warm to fine weather rather than deciding between left and right

## Choices fail to rouse voters

By David Buchan in Paris



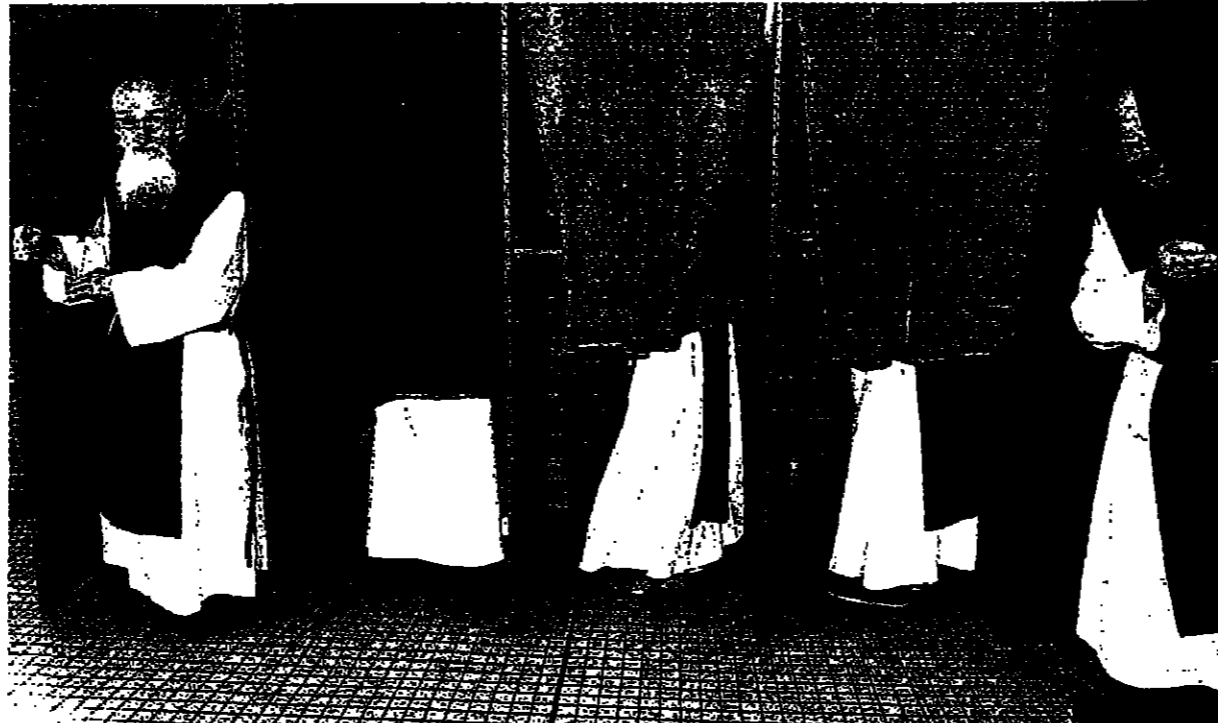
FRENCH ELECTIONS

Invited to choose between "the shared élan" promised by the ruling centre-right and the option of "changing the future" offered by the left, the enthusiasm of France's 39m registered voters seemed to flag yesterday. Early voter turnout in yesterday's first round of France's parliamentary election ran slightly above the level at exactly the same point in the previous 1993 poll, in which a total of 31 per cent of eligible voters stayed at home. But the turnout fell back slightly later, as the temptation of fine weather across much of France began to take its toll on the electorate.

Firm turnout figures were available from French Polynesia, where 64.6 per cent of Pacific islanders had turned out to vote in the first round held on May 17, a bit less than in 1993. Abstentions ran much higher in New Caledonia, where polls closed at breakfast Paris time. But this was because of a boycott by the local independence movement.

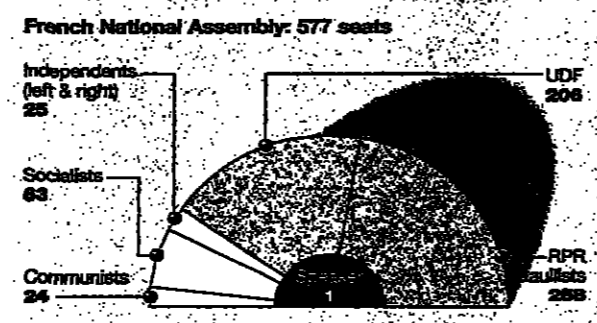
To win on the first round a candidate must get 50 per cent or more of the votes, and barely anyone managed to do that yesterday in view of the record number of candidates - 6,551 or an average of 10.8 per constituency.

Turnout in the first round may determine the shape of contests in the second round next Sunday because, in the absence of anyone gaining an absolute majority, the top



Trappist monks from the Abbey of Mont des Cats leave polling booths near Lille yesterday

### State of the parties before the elections



two candidates go into the run-off, plus any candidate winning 12.5 per cent of the registered vote. Where the abstention rate was high, therefore, a third-ranking candidate needed to get substantially more than 12.5 per

cent of votes actually cast to qualify for the run-off. This is particularly relevant to the hopes of National Front candidates to be still in the game on June 1.

France has seen its highest abstention rates in par-

liamentary elections, called either just after a referendum as in 1962, or just after presidential contests as in 1981 and 1988, because people do not like turning out twice in a short time. But the abstention rate has also risen in the normally timed elections to 31 per cent in 1983, not far off the record 34 per cent in 1988.

If abstention is a form of protest, then leaving the voting paper blank is an even stronger expression of discontent with politicians by those who take the trouble to turn up at polling stations. Four years ago 3.7 per cent of people voted blank, and many were clearly doing so yesterday.

This year's plethora of no-hoper candidates has provided another avenue of protest in the first round for

voters who may, or may not, return to mainstream candidates on June 1. As he voted yesterday in his political base of Corrèze, President Chirac exclaimed: "Are there as many as that?" when he saw the bulletins of six candidates for his old constituency.

At least, the president did not have his identity checked, as happened to Prime Minister Alain Juppé, when he went to vote in Bordeaux, of which he has been mayor for the past two years.

"Normally, it is enough to be well known," said the unabashed premier before a battery of photographers. "No, everyone must show an identity card," retorted the poll scrutineer. So Mr Juppé had to fumble in his wallet for the vital card.

## Noordwijk clears the path to summit agreement

Lionel Barber spells out importance of Friday's EU meeting at a Dutch resort

Europe's leaders are on course to meet next month's deadline for agreeing a new treaty to make the European Union fit for enlargement eastwards. Thanks to Friday's mini-summit in the Dutch coastal resort of Noordwijk, the outlines of a political agreement in Amsterdam in three weeks' time are becoming clear.

The importance of Noordwijk was two-fold: it offered a chance for EU leaders to size up Mr Tony Blair, the new British prime minister, and it allowed everyone an opportunity to state their bottom lines in the intergovernmental conference (IGC) on revising the Maastricht treaty.

On the first count, the summit was a success. Mr Blair made a lively debut in Europe. His breezy style was refreshing. He struck something of a chord when he called for the EU to be less elitist and more relevant to ordinary citizens, although all leaders talk these days about building a "people's Europe".

On the second count, the Dutch presidency handling the IGC negotiations claimed to have made solid progress. "The atmosphere was excellent," said Mr Wim Kok, Dutch prime minister. "The message was that everyone wants Amsterdam to be a success."

This is not just with the

in immigration, asylum, and visa policies. The Dutch presidency's plan to incorporate the 1985 Schengen agreement providing for the lifting of border controls into the main EU treaties is running into obstacles.

This is not just with the

the small countries would go up less sharply. Thus Portugal would move up from five to nine, while Denmark would go from three to five.

Mr Blair complained about the time spent on arcane institutional arguments, but they touch on the balance of power between small and large countries, and on national sovereignty.

Small countries view the European Commission as a guarantor of their voice in a Union which is set to expand to more than 20 members in the next five to 10 years.

The fourth "bottom line" issue is the Franco-German proposal for a phased merger of the EU and the Western European Union. The Germans insisted on the idea to show that Europe is still interested in a political union to balance the planned monetary union, and the French went along.

But Britain and the four "neutrals" will block anything which smacks of turning the EU into a collective security organisation, although they are willing to allow the incorporation of

peacekeeping tasks into the new treaty.

Finally, President Jacques Santer of the European Commission has his own, small wish-list. To date, Mr Santer has been virtually invisible in the IGC, preferring to let smaller countries such as the Benelux push proposals, but on Friday night, Mr Santer let out a heartfelt demand for a more "Social Europe" to strengthen the proposed Employment Chapter in the new treaty.

Mr Santer wants more action to protect workers' rights. He was furious about

Renault's closure of its car plant in Vilvoorde, near Brussels. His aides were also irritated by aggressive British briefings suggesting that Mr Blair had lectured the president on the need for a more competitive Europe.

If Mr Santer decides to fight his corner, he can count on support from France, the Benelux, and Scandinavia, but not necessarily Germany and certainly not Britain, where Mr Blair has his eye on his business constituency. There could be a lively foreright ahead.

## Romania 'vote of confidence' on reform plan

By Anselm Lieven

The Romanian government has called a parliamentary vote for this week to reaffirm political support for its painful programme of economic reform.

If it wins the vote - as expected - it can begin immediate implementation by decree of a whole range of measures without waiting for them to be passed into law.

The government spokesman, Mr Eugen Serbanescu, said it amounted to a vote of confidence in the six-month-old reformist government. The opposition PDSR, loser in last November's election, had said earlier it would seek such a vote.

The need to accelerate the legislative process is dictated by the number of new laws the government wishes to pass. These total around 80, ranging from bank regulation and privatisation to the rules governing foreign investment. Normal parliamentary procedures would take years.

According to official figures - which ignore the

large black economy - the average living standards of ordinary Romanians have dropped by some 30 per cent over the past year, with the new price liberalisation having an especially severe effect. The opposition and opposition-linked trades unions have accused the government of betraying promises to its voters and have called a month of labour protests.

Mr Serbanescu laid special stress at the weekend on the government's commitment to its accords with the IMF and World Bank, from whom it has received pledges of more than \$1bn in loans over the past two months. He said: "This is the first time in post-Communist Romania that a cabinet has asked for what may be called a vote of confidence."

The vote this week should also strengthen the government in pushing through its list of state factories and farms scheduled for privatisation or liquidation. This has been beset by the threat of unemployment and social protest as well as by government splits.

Klaus replaces two senior ministers with more changes expected this week

## Czech premier starts cabinet reshuffle

By Vincent Boland in Prague

Mr Václav Klaus, the Czech prime minister, has taken the first steps towards restoring his government's battered credibility by replacing two senior ministers. Further cabinet changes are expected early this week.

One year after a general election that cost him his parliamentary majority and put the brakes on the country's reform drive, Mr Klaus bowed to the weight of public opinion and removed Mr Ivan Kočárník, the unpopular finance minister, and Mr

Jan Ruml, interior minister.

The start of the reshuffle coincided with a call by President Václav Havel for the government to undertake a complete rethink of its policies to get the country back on the path of economic and democratic reform. Mr Havel, who must approve new ministers, said yesterday he would not support "cosmetic" changes of personnel unless they were accompanied by a reaffirmation of government policies.

Many of the current government's problems are the result of a perceived policy

vacuum, which has left the public disillusioned and made investors nervous.

The new finance minister is Mr Jiří Weigl, an economist who has been the prime minister's chief adviser over the past few years. Mr Petr Nečas, chairman of parliament's defence committee, is to become interior minister.

A third cabinet member, industry minister, Mr Vladimír Dlouhý, also announced his resignation, but his successor has not yet been named. The three parties in the centre-right coalition were continuing to meet sep-

arately last night to agree a complete list of changes.

The popularity of Mr Klaus and his government has fallen dramatically this year because of an economic slowdown and political squabbling. Big cuts in spending and wage curbs in the public sector have been imposed to try to balance the budget.

Mr Miloš Zeman, leader of the opposition Social Democrats, said at the weekend that the country should bring forward the next general election to autumn 1998 from spring 2000. Though

aimed mainly at the prime minister's domestic critics, the reshuffle is also being watched by investors.

A perception of instability has combined with the economic problems and a high current account deficit to expose the koruna to speculation on foreign exchange markets. The central bank was forced to raise interest rates and to intervene several times in the past 10 days to keep the koruna within its trading range against a hard currency basket.

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## Presidential vote row hits Slovak poll

By Vincent Boland

Slovakia failed a test of its democratic maturity at the weekend when referendums on Nato membership and direct presidential elections collapsed amid accusations of rigged ballot papers and a revolt by voters against Mr Vladimir Mečiar, the prime minister.

Many people refused to vote because ballot papers contained only three questions relating to Nato. A fourth question, on how to elect a successor to President Michal Kováč when his term expires next March, was omitted.

The ballot papers had been changed after the country's highest court gave an ambiguous ruling on the validity of that question. Mr Mečiar, who opposes a direct election and is a bitter enemy of Mr Kováč, used this legal loophole to have it deleted.

There were chaotic scenes at polling stations on Friday and Saturday as voters demanded four-question ballot papers and walked out in protest when told they were not available.

Mr Kováč, who supported both referendums, refused to cast his own vote, declaring: "This is not the

referendum I ordered."

The entire exercise was expected to be declared invalid last night because fewer than 10 per cent of people voted instead of the 50 per cent required.

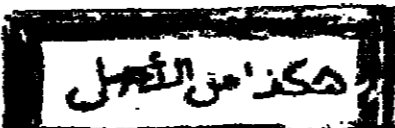
Opinion polls had shown strong support for a direct election, which could have eased the country's paralysing internal political divisions.

Diplomats said the breakdown of the democratic process would further isolate Mr Mečiar from the west, which saw the presidential referendum as a test of his willingness to accommodate his opponents.

An indication of western reaction will come on Thursday, when Mr Hans van den Broek, the EU external affairs commissioner, visits Bratislava.

The presidential vote was meant to avoid a constitutional vacuum next March. Parliament currently elects a president but neither side now has the required 60 per cent majority to do so. If no successor can be agreed, presidential powers pass to Mr Mečiar.

The Nato questions were regarded as irrelevant because Slovakia is likely to be left out of the first wave of the alliance's expansion.



# Iran power balance will test Khatami

With the sparkling eyes and easy self-assurance of a master politician, Iran's soon-to-depart President Hashemi Rafsanjani gazed down on the assembled press corps like a benevolent uncle confronted by impertinent children.

That audience, which included several obstreperous foreigners, was clearly going to do its best to catch him out, the more so since the candidate he had publicly supported to take over from him had been soundly thrashed in the presidential election on Friday.

What, he was asked, "will your position be in the decision-making process when the president-elect, Mr. Mohammad Khatami, takes over?" The president replied with the elliptical grace for which he is famous: "I will assist the cabinet of Mr. Khatami. The Council of Expediency, which Mr. Rafsanjani will be heading 'should act as adviser to the leadership in reference to the general policies of the country'."

It was there, he was told, that he would have to put up with the continuing presence of Mr. Rafsanjani, this was it.

Officially Iran's president has the number two slot to the spiritual leader, Ayatollah Khamenei, in the constitutional hierarchy of power. In a country where there is no prime minister, the president is the head of the government, subject to a maze of checks and balances which he can manage if he is as skilful as Mr. Rafsanjani, but which will reduce him to impotence if he is not shrewd enough.

It is well known that when he steps down in August, President Rafsanjani will be the head of an enlarged Council of Expediency, a body set up by Iran's revolutionary guide and mentor, Ayatollah Ruhollah Khomeini, in the early 1980s to mediate when there was disagreement between the *majlis*, or parliament, and the keeper of Iran's constitutional virtues, the Council of Guardians.

These two councils are key levers of power in a system which has some observers baffled by its oracular opacity, but which are well



Hashemi Rafsanjani gave a veiled warning to Iran's new president that he would have to put up with the outgoing president's continuing presence

understood by Mr. Khatami. He has a reputation as a "man of principle" who resigned his ministerial post in 1992 in protest at the lack of freedom for Iranian writers. He was widely seen by voters as a man who would try to lift some of the more pervasive controls on personal social behaviour and censorship which are fea-

tures of Iran's clerical regime. Yet Mr. Khatami's Islamic credentials are impeccable. Born in the southern province of Yazd, he graduated from the religious science centre in Qom, Iran's spiritual centre, in 1961. He was actively involved in resistance to the Shah and was closely connected with the

son of Iran's revolutionary leader, Ayatollah Khomeini. Unusual for Iran's political leaders, Mr. Khatami is a gifted linguist, speaking English and German as well as Arabic. Part of his talent for languages comes from his years in Germany, where he chaired the Islamic Centre in Hamburg in the late 1970s.

The big test for him will be whether he can build a constructive relationship with the other centres of power and in particular with Ayatollah Khamenei and Mr. Rafsanjani or be subsumed into their orbit. In the latter case he will be blamed by an over-optimistic electorate for all the economic and social ills which even the heavily controlled daily press acknowledge he is inheriting from his predecessor.

"The new president," said one seasoned Iranian observer, "will have to demonstrate he knows how to switch on the magnet of power. If he can demonstrate he not only has authority but understands how to use it, he will draw power into his own orbit. At the beginning, this will mean he will

have to be very easy-going and soft with these various centres of power in order to win their trust."

Mr. Khatami will also have to win over the *majlis*, with its conservative outlook of wealthy *bazaar* traders and clerics, and of which Mr. Khatami's main rival, Mr. Ali Akbar Nateq Nouri, remains the Speaker.

However, if Mr. Khatami can show he knows how to exercise authority, "the loyalty of members of the *majlis* will switch to where the power lies," said an Iranian businessman.

According to the daily *Tehran Times*, Mr. Khatami's "major challenges will be economic ones including the curbing of inflation and controlling spiralling prices". That these problems are now openly acknowledged is not only a reflection on eight years of President Rafsanjani, it is also a way of telling Mr. Khatami what an enthusiastic electorate now expects him to deliver. But the hidden crevices on Iran's political glacier are for him alone to discover.

Robin Allen

## INTERNATIONAL NEWS DIGEST

### Dow Jones libel sum rejected

A US district court judge in Texas has thrown out the bulk of a record \$222.7m libel award against Dow Jones, the media and financial information group. US District Court Judge Ewing Werlein threw out \$300m in punitive damages that had been awarded in a libel suit against the company's *Wall Street Journal* in connection with a story about a now-defunct Houston securities firm.

A Dow Jones spokesman said the judge had eliminated \$300m in punitive damages against the company but kept the remainder, which included compensatory damages against Dow Jones and \$20,000 in punitive damages against a reporter. The company planned to ask the judge for either a new trial or to cut the remaining damage award. If necessary, the company would appeal, he said. The libel award, the biggest ever in a US libel case, stemmed from a 1983 *Wall Street Journal* article about MMAR Group.

Reuter, New York

### HK-Taiwan shipping accord

Hong Kong and Taiwan have reached an agreement which will allow shipping links to continue after the British colony returns to Chinese rule on July 1, according to officials from the two sides.

In talks in Taipei at the weekend, Hong Kong accepted a Taiwanese proposal that vessels from both sides carry no flags on their main masts after the Hong Kong handover so as to avoid the sensitive question of sovereignty.

The deal was greeted with relief by shipping companies and appears to resolve one of the main trading issues still outstanding ahead of Hong Kong's handover. Rapidly rising trade between Taiwan and China now exceeds US\$200bn annually. Because there are no direct trading links across the Taiwan strait, it passes largely through Hong Kong. Although the deal marked a breakthrough after several rounds of failed talks, Mr. George Chao, chairman of the Hong Kong Shipowners' Association and head of the territory's negotiating body, described the deal as temporary.

He said that more detailed negotiations on the matter would follow. Under the terms of the accord, Hong Kong ships will carry on their stern the territory's post-handover flag.

John Ridding, Hong Kong

### GM and UAW agree deal

General Motors, the US car manufacturer, and the United Auto Workers union have reached a tentative accord to settle a seven-week strike at the company's Oklahoma City car plant, a company spokesman said yesterday. A GM spokesman said the agreement was reached late on Saturday night.

About 3,500 UAW members began the strike on April 4, when the two sides could not reach agreement on a new local contract. GM said earlier this month the Oklahoma City strike and a second, still unresolved, walkout at its Pontiac East truck plant in Pontiac, Michigan, had cost it \$225m in lost profits as of May 15.

The strike choked off supplies of GM's new Chevrolet Malibu, a crucial part of its bid to recapture market share in the mid-size car sector. GM cut Malibu advertising as a result of the walkout.

Reuter, Detroit

### Indonesian fire kills 130

Arsonists set fire to a shopping mall, killing at least 130 looters who had charged inside when an election campaign riot erupted at Banjarmasin, 900km northeast of Jakarta on the island of Borneo, Indonesian police said yesterday.

Many badly charred bodies were found clinging to what remained of pillaged clothes, watches and other goods.

Witnesses said the mall closed and staff went home when trouble began. Mobs then broke into the building at the height of the riot several hours later. The mall was soon engulfed in dense black smoke and huge flames.

Some looters escaped, but many stayed inside, apparently afraid they would be arrested by police and troops outside, witnesses said. Rescuers could not start retrieving bodies until yesterday when the heat subsided.

AP, Banjarmasin, Indonesia

### Poles vote on constitution

Poles voted yesterday in a referendum to approve a new draft constitution enshrining the country's post-1989 economic and democratic reforms.

The draft has been bitterly attacked by the nationalist opposition, led by the Solidarity trade union, which says it fails adequately to reflect Poland's Roman Catholic traditions and make a clean break with the communist past.

Solidarity's Warsaw branch has distributed leaflets warning that the new constitution would "condemn Poles to poverty, deprive them of their sovereignty while promoting atheism and liberalism".

The new constitution as drafted has also failed to ban abortion outright, as the Catholic church had demanded. Accordingly bishops have signalled the document should be rejected.

Christopher Bobinski, Warsaw

### Mexico track changes hands

One of Mexico's most track institutions has been handed over to a company more used to strobe lighting and the latest hits than to top hats and Sunday best. The 25-year concession to the Hipodromo de las Americas, an exclusive racetrack in Mexico City, has been granted to ECE, a Mexican company which runs franchises for the Hard Rock Cafe and Planet Hollywood.

The company's US partner is Maxxam, responsible for the Sam Houston Race Park in Texas. The interior ministry waived the concession of the previous holders, the aristocratic Fernandez family, because of non-payment of taxes. ECE belongs to the family of Mr. Claudio X. Gonzalez, chief executive of Kimberly-Clark de Mexico, one of the most renowned figures in Mexican business.

Daniel Dombey, Mexico City

## Taliban success rouses fears in central Asia

By Farhan Bokhari in Islamabad and agencies

Afghanistan's rigid Islamic regime and the former Soviet central Asian states backed by Russia last night faced an uncomfortable stand-off following the defeat of a leading Afghan opposition warlord.

General Abdul Rashid Dostum, head of the once-powerful northern alliance, considered to be the last bulwark against the Taliban Islamic regime, fled to neighbouring Uzbekistan at the weekend en route to Turkey, after the area under his control was seized by advancing troops.

General Dostum's fall was triggered by the defection of one of his top aides, General Abdul Malik, who joined advancing Taliban units. With Gen Dostum's defeat, almost 95 per cent of Afghan territory has fallen under Taliban control.

There were immediate signs of anxiety in Moscow and the central Asian states, which consider the Taliban advance to be a security

threat. Mr. Yevgeny Primakov, the Russian foreign minister, warned the Taliban yesterday not to violate the borders of the central Asian states. Interfax news agency quoted him as saying in Moscow that any border infringement "will provoke very tough and effective actions".

Remnants of the former Soviet troops who once occupied Afghanistan for almost a decade still remain deployed on the Afghan border. Russia is estimated to have some 20,000 troops stationed in Tajikistan, charged with the duty of guarding the border with Afghanistan.

In Dushanbe, capital of neighbouring Tajikistan, President Imomali Rakhmanov yesterday held further discussions with top advisers to review security arrangements. Tajikistan fears that the presence of the Taliban close to its border may reignite domestic insurgency. Last year, Mr. Rakhmanov's secular government and Tajikistan's Islamic opposition finally agreed on

a ceasefire after a four-year civil war which left thousands dead and displaced hundreds of families.

Both Russia and the central Asian states are particularly perturbed over the Taliban's puritan brand of Islam, and believe the Islamic group is incapable of giving representation to Afghanistan's smaller ethnic minorities. Since the Taliban last year captured Kabul, the Afghan capital, women in many occupations have been ordered to stay at home and wear veils in public.

The Taliban advance has also split other countries in the surrounding region. Iran suspects the Taliban have been armed and trained by Pakistan to strengthen Islamabad's influence in the war-torn country. Pakistan has denied the charge.

Pakistan, yesterday became the first country formally to recognise the Taliban regime. Western diplomats said the move would add strains in its relations with Tehran.

## Asian central banks may bolster links

By Peter Montagnon and John Ridding in Hong Kong

Asian central banks may develop more formal links following this month's joint effort to prop up the Thai baht, according to Mr. Joseph Yam, head of the Hong Kong Monetary Authority.

"What happened in the past couple of weeks may well push us more quickly in that direction," he said in an interview, "though whether or not we actually need to create a new institution is something we have to discuss."

He declined to comment on the extent of the intervention, though he said it was unprecedented and hoped it had given the markets pause for thought.

Ten days ago several Asian central banks intervened in local markets to buy baht on behalf of the Bank of Thailand after it came under attack in the wake of the country's economic slowdown.

Some central bankers, including Mr. Bernie Fraser,

former governor of the Reserve Bank of Australia, have argued that Pacific central banks need to create their own umbrella institution, like the Basel-based Bank for International Settlements, which could help stabilise markets, harmonise banking supervision and improve payments systems in the Asian time zone.

Mr. Yam said this might not be necessary. "Nowadays with advanced telecommunications and information technology you can have a 'virtual institution' rather than a physical one located somewhere," he said. "But the philosophy is clear. You need closer co-operation and co-ordination."

The HKMA has signed up repurchase agreements with 10 other Asian central banks as part of a collective effort to bolster their currencies after the 1995 Mexican crisis and the banks involved now hold regular discussions.

"That matrix of bilateral agreements is filling up fairly quickly. We have also been exploring the possibi-

ty of multilateralising them," Mr. Yam said. They could then be activated quickly, without separate calls to each of the central banks involved.

Separately, Mr. Yam expressed concern about the vast oversubscription to mainland companies' Hong Kong share issues. The current issue, by Beijing Enterprises, is estimated to be more than 1,000 times oversubscribed, clogging the banking system and pushing up money market rates, with about HK\$200bn (US\$26bn) in subscriptions.

Hong Kong's handover to China on July 1 was likely to increase the HKMA's role in providing expertise to the People's Bank of China, he added. It recently held its first seminar on banking supervision for about 25 provincial directors of the Chinese central bank. Mainland officials are seconded to Hong Kong for experience.

The HKMA was also helping China set up a system for real time gross settlement of banking payments.

## Yen traders expect a nervous summer

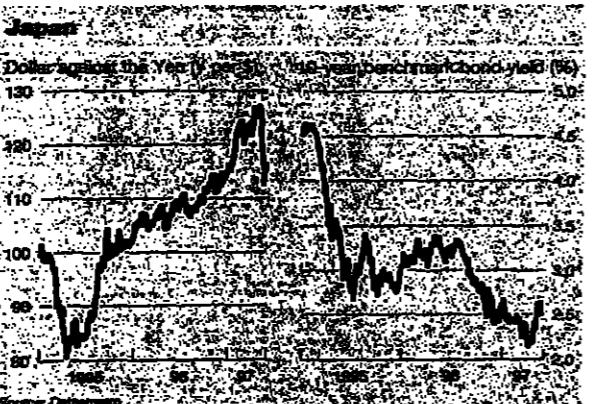
As currency traders return to their desks this week, some may feel that the yen world is turning on its head.

Less than a month ago, a slide in the yen was triggering speculation about how much further the Japanese currency could fall, amid fears that rising exports on the back of a weak yen would spark US-Japan trade friction.

But after a week of currency turbulence, traders are now mulling the opposite: whether the yen is set to surge sharply against the dollar instead.

For in recent weeks, the currency has seen arguably the most dramatic short-term rises for over a decade. After falling against the dollar to a low of almost ¥127 earlier this month - a 50 per cent drop in two years - the yen surged back to touch the level of ¥112 last week, before closing on Friday just below ¥118.

The scale of this move has partly reflected market panic. During the last two years, many traders have



practised so-called "carry trades" - borrowing yen at low interest rates and using it to buy dollars and other high-yielding currencies.

This strategy depended on Japanese interest rates remaining at their current historically low levels of 0.5 per cent. But in early May speculation erupted that Japanese rates might start to rise this summer, instead of next year as previously assumed.

Most traders still think the possibility of an immediate

rise in rates is slim. It seems unlikely the Bank of Japan will act until it has hard evidence about how the economy has reacted to the consumption tax rise in April - data not available until autumn.

As one government official said: "The Bank of Japan is not going to take a potentially risky step like that without good information."

But the possibility of a move has left traders scrambling to dump dollars. This pattern has fed on itself:

whenever the US currency rallied briefly in the last three weeks, investors have been keen to sell it before they incurred further losses.

Japanese investors, in particular, appear to have been caught short. As Mr. Polham Smithers of ING Barings in Tokyo said: "The hedging strategies of Japanese exporters are not as aggressive as they used to be."

"Most thought the dollar would keep rising." But the key question now is whether the dollar's small rebound at the end of last week suggests that this panic selling is over - meaning that the US currency's slide is at an end. The Japanese government certainly appears to be hoping so.

The yen's fall below ¥125 earlier this month left many officials fearing new US trade complaints. And in the aftermath of the meeting of the Group of Seven main industrial nations at the end of April, efforts have been under way verbally to boost the currency.

But some officials are now uneasy that if the yen surges too far in the opposite direction it could hurt Japan's exporters and damp the economic recovery. The finance ministry, for example, is officially stating that the "caused of yen weakness" is now over.

Mr. Eisuke Sakakibara, the finance ministry official who oversees foreign exchange policy, said: "What has happened in the last few weeks is that the irrational pessimism which pervaded the markets before has faded - traders have realised that the Japanese economy is not about to collapse. After the G7 meeting it took time for the markets to absorb the delicate little statements."

But whether this new stance will work is unclear. Mr. Jim O'Neill, chief currency strategist at Goldman Sachs in London, for example, thinks the yen could soon be heading up again, as the widening trade surplus starts to irritate the US.

Although Japan's current account surplus as a proportion of gross domestic product fell to 1.4 per cent in fiscal 1996, from 3.1 per cent in 1993, it has been rising sharply in recent months. "The real thing to follow with respect to the yen, as it always is on a longer term basis, is developments in Japan's current account balance," Mr. O'Neill argues.

Other traders disagree: many economists in Tokyo now expect the currency to remain in the ¥115-¥120 range for a while, since Japanese savers still appear intent on placing part of their money overseas, and the US growth outlook remains far stronger than the Japanese picture.

But the acid test may come if new signals appear about the direction of US interest rates - and when hard data finally emerge on what has happened to Japan's economy after the tax increases. This should start to trickle out in the coming weeks.

World Currencies, Tokyo Markets, Page 20

Gillian Tett

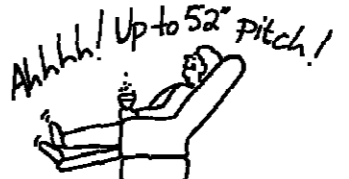
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Affirmation of one-party state seen as setback to efforts to coax reforms from Castro

# Cuba defiant over hardline policies

By Pascal Fletcher in Havana

Cuba's ruling Communist party, turning a deaf ear to international calls for political reform, has published a policy document for national discussion which asserts that one-party socialism is the island's only effective defence against US hostility.

The eight-page document, prepared for a party congress which is due to be held in October, describes the US as Cuba's "secular enemy" and says Washington maintains "the unvarying strategic objective" to destroy the Cuban revolution.

"In Cuba there will be no restoration of capitalism because the revolution will never be defeated. The nation will continue to live and will continue to be socialist," the document said. It was published on

Saturday in Granma, the party newspaper.

"Only the unity of revolutionaries can lead to the unity of the people. This requires a single party," it added.

This declaration of unwavering allegiance to one-party socialism will be a disappointment to those foreign governments which oppose the tightened US economic embargo against Cuba but have at the same time been trying to coax Cuban President Fidel Castro into making democratic reforms.

Canada, which is Cuba's biggest trade and investment partner, is the main advocate of this "constructive engagement" approach, while the European Union has taken a slightly tougher stance by tying any future economic co-operation with the island to the need for



Castro: unwavering allegiance

political and economic reforms. A senior US official said last week Washington would not

change its policy towards Cuba unless the island moved towards democracy and improved respect for human rights.

The Cuban party document, citing what it said were renewed US efforts to tighten economic sanctions and foment internal subversion, rejected the option of multi-party politics as a threat to national unity.

Granma said the policy document would be debated before the October 8-10 Fifth Party Congress in party cells and other official mass organisations, such as neighbourhood block committees.

"It will be a new plebiscite by our heroic people in favour of the nation, the revolution and socialism," the newspaper said.

Despite the reference to debate, the document offered no alternative to one-party socialism, which

was presented as the only "patriotic" choice.

It presented a lengthy historical justification of Cuba's one-party political system, tracing it back to the island's 19th century independence struggle against Spain led by Cuban nationalist hero José Martí. Mr Castro was hailed as the "founder and guide" of the Cuban Communist party.

The party's ideology was described as derived from the "teachings of... Marx, Engels and Lenin, the doctrine of Martí and the creative ideas and example of Fidel (Castro)," it added.

The policy document made only passing reference to economic reform, acknowledging that today's socialist Cuba needed to assimilate "certain capitalist elements" and "insert itself into the world economy".

## Australian carmakers urge decision on tariffs

The clanging din, as the latest car models roll off the production line at Mitsubishi's Thorley plant in Adelaide, is almost deafening. But it is nothing compared with the clamour from Australia's carmakers and component suppliers as they attempt to influence the country's future vehicle tariff policy.

At issue is what degree of protection Australia should offer its domestic car industry after 2000.

Under an existing "car plan" tariffs have fallen from around 57.5 per cent a decade ago, to 22.5 per cent at present, and are set to reduce further to 15 per cent by 2000.

But this progressive tariff reduction was put in place by a former Labor government. While the car tariff scaleback proceeded at a slower rate than tariff reduction generally, it formed part of a broader effort to wean Australian industry away from trade barriers, and encourage a "free trade" push within the Asia-Pacific region.

The current task confronting the new conservative federal government, is what to do about the post-2000 regime - a matter which will become increasingly urgent

as carmakers weigh up the next investment cycle.

Tariffs are not the only issue. There is a separate, and contentious, "export facilitation scheme" (EFS) - which allows vehicle exporters to earn tradeable credits to reduce duty on imported vehicles or components, but does not meet World Trade Organisation criteria.

And the government may also need to consider the "duty-free entitlement", which allows assemblers to

carmakers to import vehicles and components duty-free up to 15 per cent of their value of production.

Already, the Productivity Commission, one of the "drift" government agencies on economic matters, has been called in to review the issue, and is due to deliver its final report to the Treasury today.

The onus is now on the government to respond.

The one point of consensus is that Australia's automotive manufacturing industry has changed radically over the past decade.

Imports, for example, now account for more than 50 per cent of cars sold in Australia, compared with about 15 per cent in the mid-1980s.

The number of car manufacturers has contracted to four - Ford, Holden, Mitsubishi

and Toyota - as has the number of models produced.

Labour productivity, meanwhile, has improved from around 11 vehicles per employee in 1984 to about 16 by 1995.

Australia has also started to build up a vehicle export industry - with overseas sales reaching A\$1.8bn (US\$1.39bn) in 1995, compared with under A\$300m in 1985.

In a draft report, published just before Christmas, the

urged that this, too, be ended in 2000 because it could be subject to WTO challenge.

The commission justified its conclusions on efficiency grounds. The tariff, it calculated, would cost consumers A\$13bn between 1993 and 2000. In 1995 alone, it estimated an average A\$3,700 was added to the price of each vehicle bought - though that figure, and modelling behind it, is fiercely contested by the industry.

**The task confronting the new conservative federal government, is what to do about the post-2000 regime - a matter which will become increasingly urgent**

Productivity Commission recommended more of the same. It suggested that tariffs be cut by another 2.5 percentage points a year between 2001 and 2004, until they reached 5 per cent, in line with manufacturing industry generally. At this point, the duty-free allowance should be reviewed.

The EFS, meanwhile, was acknowledged to be "valuable", but the commission

"For an industry which needs to adopt an increasing emphasis on exports, a high tariff on imports is a contradiction," the commission's draft report suggested.

Mr Ian Webber, chairing the commission's car review and an ex-Mitsubishi executive, took a softer line. In a dissenting report, he suggested that further reductions in assistance after 2000 should be deferred until Aus-

tralia's "microeconomic reform" agenda had progressed - including tax reform - and the country had "elicited binding commitments to reduced protection of the industry by our trading partners".

From a practical standpoint, that could mean a "pause" on tariff levels until 2005, with another inquiry being held "early in the next century" he suggested.

At the other end of the spectrum are the carmakers, local component suppliers, and state-based politicians, who fear the economic impact of further downsizing in the local manufacturing industry.

Their principal concern is that imports will continue to sweep into the market, while much higher levels of protection in many neighbouring Asian countries will limit export potential.

"If the Productivity Commission's final report stays as per the draft report and is implemented, we don't think the car industry will be here in the year 2010," said Mr Mike Quinn, head of Mitsubishi Motors Australia.

In addition, if domestic car production winds down, the component industry could also find itself in an unsustainable position.

Nikki Tait

## Army ousts Sierra Leone government

Coup marks end of President Kabbah's short-lived attempt to create a democracy

By Antony Goldman in Lagos

Junior officers in the Sierra Leonean capital, Freetown, yesterday announced the overthrow of the civilian administration of President Ahmed Tejan Kabbah, ending the country's short-lived experiment with democracy.

Despite extensive mineral resources and fertile land, mismanagement, corruption and six years of civil war have left Sierra Leone's 4m people among the most impoverished on the continent.

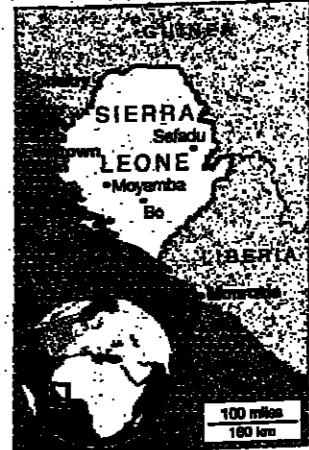
After several hours of heavy gunfire yesterday morning, coup leaders appeared in control of most key installations. "The democracy we have had in this country is not real," a spokesman declared over state radio, referring to multi-party elections 15 months ago designed to end a generation of one-party rule, military government and political instability.

The Commonwealth, to which Sierra Leone belongs, issued a statement in London condemning the attempted coup as "unacceptable".

"This would be a particularly retrograde step for Sierra Leone after the advances made by that country in the last year in building democracy, peace and reconciliation," said the Commonwealth secretary-general, Mr Emeka Anyaoku.

Western powers had applied intense pressure on the Sierra Leone military to leave office last year. But at least twice since September, conspirators have tried to topple Mr Kabbah, who is reported to have fled Freetown by helicopter.

In recent weeks, his government, which signed a peace agreement with rebels last November, had appeared



increasingly powerless in the wake of a sharp escalation of fighting involving factions in various parts of the country.

The coup leaders have warned several hundred Nigerian troops stationed in Sierra Leone as part of a mutual defence pact to stay out of "a purely internal matter." However, they also appealed for the return from Nigeria of Mr Foday Sankoh, leader of the rebel Revolutionary United Front.

Officially, Mr Sankoh has been a guest of the Ministry of Foreign Affairs since his arrival in Lagos in March. Last night he said he was "ready to return home immediately." He pledged himself to a negotiated solution to Sierra Leone's problems, but cautioned that he would have "to wait and see" what lay behind the coup.

Nigeria has made no comment about the latest events in Sierra Leone.

But General Sani Abacha, who seized power in 1993, has repeatedly called for an end to regional conflict. Last week he released proposals for permanent maintenance of the Nigerian-dominated multi-national peace-keeping force at present operating in Liberia, to deal with crises in west Africa.

## Airbus may miss target date for crucial reform

By Haig Simonian and Graham Bowley

Airbus, the European civil aircraft consortium, may miss its 1999 deadline to transform itself into a fully commercial company, according to the head of one of its main partners.

Mr Jürgen Schrempf, chairman of Daimler-Benz, the German member of the four-nation consortium, said: "I don't know if the transformation will be within the 1999 time schedule. But it is going ahead."

Mr Schrempf's comments, in an interview with the FT at the opening of Mercedes-Benz's new car plant in the US state of Alabama, mark the first recognition by a leading Airbus member that the deadline may slip.

Mr Schrempf, who used to run Daimler-Benz's aerospace subsidiary, said any delay was likely to be caused by continuing reluctance by Aérospatiale, the French Airbus partner, to accept the transformation.

The Airbus partners - Daimler-Benz, Aerospace (Dasa), Aérospatiale, British

The German government is seeking to allay concerns that the country's budgetary problems could pose a threat to the Eurofighter, the joint project of the UK, Italy, Spain and Germany for a new generation of combat aircraft, writes Graham Bowley.

Mr Theo Waigel, finance minister, is in talks with Daimler-Benz Aerospace - a partner in the project - aimed at redirecting some state aid paid to Dasa for development of its part in Airbus, the European civil aircraft project, to pay for Eurofighter production.

Aerospace (BAE) and Casa of Spain, agreed earlier this year to turn Airbus into a limited company.

Dasa and BAE have been pressing for the new company to take control of the partners' Airbus factories, but Aérospatiale has been resisting.

Mr Schrempf said Aérospatiale's position was based on the fact that its facilities were not dedicated exclusively to Airbus production, complicating the transfer of assets to a new commercial Airbus company, as sought by Dasa and BAE.

The French position was further confused by the "difficult process" of first merg-

ing Aérospatiale with Dassault, the private sector French military aircraft maker, he said.

However, Mr Schrempf said the progress made so far by the technical study groups set up to prepare Airbus for the transformation left him confident the change would take place.

"I have no doubt France will eventually come round," he said. "It is inevitable. It will come. Everybody knows."

Mr Schrempf said Dasa's recent decision to forge new links with the Lagardère group of France and support the French conglomerate's

bid for Thomson, the French state-controlled electronics giant, did not threaten the Airbus restructuring.

Mr Yves Michot, chairman of Aérospatiale, earlier this month hit out at Dasa's decision to team up with Lagardère before the winner of the bid for Thomson was known. He warned that forming an alliance with Lagardère against Aérospatiale was "signing the death warrant of Airbus".

But Mr Schrempf said: "We will stay friends." The disagreement "will have no effect on the Airbus restructuring". He said: "It is traditional in the aerospace industry

Mr Volke Rühe, defence minister, said in an interview in a German newspaper yesterday he was confident Bonn would find the financing for Germany's acquisition of 180 of the aircraft from 2002 onwards.

The project has been dogged by disagreement between the finance and defence ministries over DM2bn (\$1.1bn) of interim costs. The defence ministry has said it is prepared to pay its DM1bn share, but the finance ministry has been more cautious in the light of government attempts to meet the budgetary criteria for European economic and monetary union.



Schrempf: confirmed deadline might slip

that you co-operate on one level and compete on another."

The closer co-operation with Lagardère - which already has strong links with British Aerospace and GEC - would strengthen Dasa's ties in the UK, Mr Schrempf said.

"We have looked at the advantages. We know how important the French-German axis is but a bilateral axis is better. That was the best option," he said.

Dasa's link with Lagardère involves closer co-operation by the group's defence electronics, space and missiles interests.

Observer, Page 15

## Contenders vie for Hungary fighter deal

By Anatol Lieven in Kecskemet, Hungary

Western fighter aircraft roared and rolled over the Hungarian military airfield of Kecskemet at the weekend in a deafening attempt to persuade Hungary's government to pay up the \$1.2bn to buy them. But in a deal which, if it goes ahead, will be decided largely by the economic incentive on offer, less dramatic but more significant moves were being made elsewhere.

Electrolux, the giant Swedish household appliance maker, announced that it would increase by \$33m its investment in its Hungarian joint venture, intended to finance the development of its new refrigerator factory at Jászberény. Electrolux is part of the Wallenberg group which also owns Saab, and has announced that it believes the whole of the new investment can go to offset Saab's bid for the fighter contract.

The Hungarian government is considering buying 30 fighters to modernise an ageing Soviet-built airforce, and four big western consortia are in the running. The Saab-British Aerospace joint venture signed a memorandum of understanding with the Hungarian government in 1995, and initially seemed to have won the bid for their JAS 39 "Gripen" multi-purpose war aircraft, but the Hungarians subsequently put the purchase on ice until the question of their membership of Nato was decided in July of this year.

In the meantime, three other western consortia entered the ring: Lockheed Martin, with the F-16C Falcon, McDonnell Douglas with the F/A-18 Hornet, and Dassault with the Mirage 2000-5. Both the American groups have now signed off-set framework agreements with the Hungarian government, and Dassault, although lagging behind seriously in this respect, is

expected to do so soon. These agreements outline a general commitment to investment in Hungary.

Saab believe that the presence of several different companies of the Wallenberg group in Hungarian industry gives them a clear advantage, with Electrolux-Lehal already providing some 4 per cent of Hungarian exports.

Lockheed for its part is arguing that although not so strongly represented in Hungary as yet, it can rely on its links to General Electric and other big industrial groups. GE has already invested more than \$700m in Hungary, and in February signed an agreement for offset if Lockheed wins the Hungarian deal.

Russia is offering Hungary a mixture of modern fighters and fighter bombers, partly as offset for debt; but Rosvooruzhenie, the state military export group, was not represented alongside the western competitors at Kecskemet. At around \$400m, the Russian bid is less than a third of the western ones, but western and Hungarian military experts have raised doubts both about the high cost of the Russian aircraft to fuel and maintain, and about the reliability of Russian supplies of spare parts.

No one at Kecskemet could have doubted that the politics of the fighter deal leaves little room for the Russians. Hungarian ministers, company representatives and western diplomats all travelled down to Kecskemet together on a special train, the "Nato-Express", provided by the Manfred Weber Foundation, a Hungarian lobby group for Nato membership.

The Russians are, however, not the only ones to be worried about Hungary buying Nato aircraft. The Hungarian finance ministry is reportedly unhappy with the cost, and is trying to insist that the defence ministry find the money by making cuts elsewhere.

## Nigerian arrests add to air worries

By Antony Goldman

About 50 employees of state-owned Nigerian Airways have been arrested in connection with the theft last month of high-tech computer navigational aids from one of the airline's aircraft.

The arrests come a week after Nigerian-registered aircraft were banned from British airspace over alleged poor safety standards. The ban prompted Nigeria's military government in retaliation to bar British Airways from lucrative routes to Lagos and the northern city of Kano.

Nigeria's aviation minister, Air Commodore Ra Udo Imeh, has described criticism of Nigeria's air safety record as unjustifiable. Several officials have suggested the British ban is politically motivated. Officials from both sides tried last week to reach a compromise.

Britain is hoping Civil Aviation Authority inspectors will be allowed to examine the Nigerian Airways DC-10 which was to be used on the London route. They want to assess the airworthiness of the aircraft, recently returned from a \$6m refit in the US.

The Department of Transport in London has released details of faults discovered on Nigerian registered cargo aircraft, which nevertheless held certificates of airworthiness issued by the Lagos authorities.

There have been a number of recent incidents which call into question safety and security in the Nigerian aviation sector including a power cut earlier this month which caused runway lights to go off just as a Swissair aircraft was about to land.

Mr Peter Igbinedion of the Federal Airports Authority of Nigeria acknowledged that navigational equipment and emergency facilities were poor at most of the country's airports. But he argued that government spending commitments would help standards rise

## HK airlines hit by engine problems

By John Riddling in Hong Kong

Hong Kong's aviation industry has been hit by cancellations and disruption following the decision by the territory's two carriers to ground their fleets of Airbus A330-300 aircraft because of problems with Rolls-Royce engines.

The weekend announcement is a blow to Cathay Pacific and Dragonair, and to Rolls-Royce, manufacturer of the Trent 700 engines which have been involved in a number of incidents over recent months. Several Airbus aircraft operated by the airlines have made emergency landings after developing engine trouble.

Cathay has grounded 11 aircraft, about one-sixth of its fleet, while Dragonair has grounded four.

Garuda of Indonesia, the only other carrier operating the combination of Airbus A330-300s with Trent 700 engines, said it would continue

operations with the aircraft.

Cathay Pacific said the aircraft would remain grounded until the problem had been resolved, and that this could be a matter of days or weeks. The airline said the decision to ground such a big part of its fleet was unprecedented and had prompted the cancellation of more than 30 flights at the weekend.

However, a spokesman claimed the carrier was "getting on top of the situation" through rescheduling and the use of other aircraft for the Airbus routes.

A team of engineers from Rolls-Royce has been examining the problem with the engines, which concerns their gearboxes. "A bearing does not appear to be getting enough lubrication and this leads to overheating and vibrations," said a Cathay official.

She said the problem had been "identified and understood" and that

a design solution had been found.

Cathay Pacific said the aircraft would remain grounded until the problem had been resolved, and that this could be a matter of days or weeks.

Rolls-Royce played down the impact to its orders, saying it had received no cancellations for Trent 700 engines. At present, the group has orders and options for more than 90 Trent 700 engines. "This is a fairly new engine and our customers understand there can be problems," said a Rolls-Royce spokesman. "There was never any risk for passengers, this is a question of reliability. What is important is that we now resolve the situation."

As a result of the disruption, several thousand passengers faced delays or cancellations. Cathay said it had not yet considered whether to seek compensation from Rolls-Royce.

The Hong Kong airlines described their move as a precautionary measure. "All decisions to shut down an engine have been voluntary rather

than forced," said a Cathay spokesman, referring to the four such incidents since last November. "The Airbus A330-300 is designed to be able to land with one engine," the official added.

The latest incident occurred last week when a Dragonair Airbus made an emergency landing in the Philippines after developing engine trouble en route to Kota Kinabalu in Malaysia. Cathay Pacific is Hong Kong's de facto flag carrier and is 44 per cent owned by Swire Pacific, the local arm of the UK controlled Swire group.

Other big shareholders include Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle. The two groups are also substantial shareholders in Dragonair, along with China National Aviation Corporation, the mainland aviation authority.

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Ex-president of employers' group warns Conservative MPs against choosing rightwing candidate

## Party leadership boost for former chancellor

By Liam Halligan, Political Staff

A senior businessman has written to all Conservative MPs, urging them to resist the drift towards Euroscepticism and vote for Mr Kenneth Clarke, the shadow chancellor, in the coming Conservative leadership election.

Sir Bryan Nicholson, a former president of the Confederation of British Industry, has warned MPs that choosing a rightwing leader would undermine the party's relations with the business community.

The government said yesterday it would not announce the date of the Budget until after it had published the results of an independent audit into public finances, Liam Halligan writes. The move is likely to prompt speculation that Mr Gordon Brown, the chancellor of the Exchequer, will use the report on the previous government's borrowing projections to justify raising taxes.

Last week's launch of a National

Audit Office inquiry into the assumptions underlying the Treasury's forecasts of public borrowing hinted that the national accounts are in worse shape than was suggested in the former Conservative government's November Budget.

"There is widespread suspicion that improper assumptions were made about privatisation receipts and revenues from the 'spend-to-save' [clamping down on benefit fraud]," said an aide

to Mr Brown. "We now want an open and accountable system with no cooking of the books."

In its election manifesto, Labour said it would introduce a Budget within two months of the May 1 vote by early July. An announcement that the Budget will fall outside this period, would lead to speculation that the Treasury needs more time to analyse the ramifications of complicated tax increases.

wrong direction that Labour did after their 1979 defeat," he said, referring to Labour's swing to the left under Mr Michael Foot, one of its former leaders.

Aides to Mr Clarke said the letter is one of several written by industrialists to the pro-European former chancellor. But Lord Parkinson, describing Mr Clarke as "too old to be leader by the time of the next Tory government," said MPs felt his insistence on not ruling out Britain's early entry into monetary union damaged the party at the polls.

"There is a feeling he held the last government to ransom... he has a cavalier attitude to people whose views don't agree with his - particularly on Europe."

Asked if his reference to Mr Clarke's age was an endorsement of Mr William Hague, the youngest of the six Conservative candidates, Lord Parkinson said: "That is not impossible."

But Sir Leon said there was "not the slightest evidence" that Mr Clarke's views on Europe had harmed the Tory party.

"Ken did a tremendous job as chancellor," he said.

## Lloyd's may delay new rules for Names

By Christopher Adams, Insurance Correspondent

Radical plans by Lloyd's of London to raise minimum capital requirements for Names could be revised following angry protests at the speed of reform.

Lloyd's proposed last month that Names - individuals whose assets have traditionally supported Lloyd's - increase funds held at the insurance market and show greater personal wealth.

Names' numbers have declined following several years of huge losses, and corporate investors have been replacing them. Lloyd's believes reforms are essential to satisfy regulators and ratings agencies.

The Association of Lloyd's Members, representing several thousand Names, described a proposed two-year period for introducing the new requirements as "wholly unrealistic".

It argued that too much haste could result in a damaging exodus of capital.

It is thought the insurance market's ruling council could allow more time for some proposed changes, and may drop moves to stop Names using homes to support underwriting.

The association said yesterday it "would have to welcome" any concessions.

At present, most Names hold funds at the insurance market representing 20-30 per cent of the business they can back, compared with a minimum of 50 per cent for corporate investors.

Lloyd's proposed that Names within two years show evidence of means totalling at least £350,000.

It put forward plans for a risk-based capital system, under which all investors would need assets totalling at least 50 per cent of the premiums they supported.

Funds at Lloyd's ratios for Names would under the proposals be raised to 32.5 per cent next year and 37.5 per cent in 1999.

## Lotus looks to blossom under eastern sun

Proton plans to build popular Elise sports car in Malaysia

Big changes could be coming sooner than expected for Lotus as its new Malaysian owners get to grips with one of Britain's most familiar motoring names.

Proton, Malaysia's "national" carmaker has adopted a fairly hands-off approach to managing Lotus since buying a controlling stake in the sports car and automotive engineering group last October. But matters could change as Proton sets up a second production line in Malaysia to supplement inadequate supplies of Lotus's Elise sports car.

There is an 18-month waiting list for the Elise, a lightweight two-seater which has received rave reviews.

Although production is building up from seven a day to a target of 12 by the end of the year, that is not enough to meet the backlog of about 2,000 orders for the £20,000 convertible.

The Malaysian line could

teach Lotus some painful lessons. It takes about 200 hours to build an Elise, according to Mr Morris Dowton, Lotus's manufacturing manager, exceptionally slow by motor industry standards.

One reason for this is that Lotus makes virtually all its own parts. While most of the motor industry is "out-sourcing" work to outside suppliers, Lotus's headquarters at an old US airforce base near Norwich contains a network of mini-plants, each specialising in low volumes of key components.

Such intense specialisation may be one of the first Lotus traditions to go. "We're already looking at differences, and we'll re-export the processes back to Lotus if ours are better," says Tengku Mahaleel Tengku Arif, Proton's chief executive.

Another widely predicted development could be the departure of Mr Romano Artioli, the Italian entrepreneur



Rave reviews: there is an 18-month waiting list and a backlog of about 2,000 orders for the £20,000 Lotus Elise convertible sports car, which will now also be built in Malaysia

neur who bought Lotus from General Motors in 1992.

Proton's willingness to retain a role for Mr Artioli, whose business interests took a turn for the worse following the bankruptcy last year of Bugatti, the famous Italian car brand he revived, was critical to its success in winning the bidding war for Lotus.

Mr Artioli lives near Lotus's headquarters and remains responsible for special projects. But it is widely expected that Proton will eventually exercise its option to buy out his 20 per cent.

While change may be in the air for carmaking, Lotus's engineering consul-

tancy, which accounts for 1,300 of its 1,700 staff, will be left to its own devices.

Proton bought Lotus to reduce dependence on Mitsubishi Motors of Japan, its technological mentor. The Malaysian company hopes to develop its first independent model before the end of the decade, although it will take a little longer before the vehicle is fitted with Proton's engines. Although the company has been expanding its research and development unit, it still employs only about 300 R&D professionals in Malaysia.

Lotus should change that. The company has an international reputation in engine development and considerable experience in the

areas of noise, vibration and harshness. It is expanding into whole vehicle development thanks to Proton. A £7m (US\$11m) prototype development and engineering centre, due to open next April, will concentrate on Proton's new vehicles.

But Proton knows it must not antagonise Lotus's existing engineering clients by giving the impression their work is being downgraded, or their proprietary technology is at risk. Although Lotus suffered from the vicissitudes of Mr Artioli's Italian business interests, it benefited from being independent of a big carmaker.

Haig Simonian

## Black economy 'costs Treasury \$32bn a year'

By Stephanie Flanders in London

Britain's unofficial or "black" economy has grown rapidly since the mid-1980s and now costs the Treasury £20bn (\$32.4bn) a year, an unpublished report for the European Commission has found.

The study, by Deloitte & Touche, the accountants, calculates that the black economy last year was worth about £80bn, the equivalent of 12 per cent of gross domestic product. It estimates that the cost to the exchequer, in lost receipts for value added tax and other taxes, could be the equivalent of nearly one-third of last year's income tax revenues.

The report is part of a five-country study into the size and budgetary costs of the European shadow economy launched last November by the European Commission.

It is likely to fuel speculation that Mr Gordon Brown, the chancellor of the exchequer, will introduce new measures to close tax loopholes and tackle VAT eva-

sion in the Budget. However, Customs & Excise said yesterday that many measures along these lines had been introduced in last year's Budget.

"We have appointed six special teams of officers concentrating on various areas of the shadow economy such as the construction industry where builders often do jobs for cash when they should be registered for VAT," said Customs & Excise.

A concerted attack on VAT avoidance announced in last year's Budget aimed to raise £700m in its first year. Over the last few years, VAT receipts have fallen significantly short of the Treasury's targets, but this shortfall has recently been declining as a result of faster economic growth.

Previous studies have put the size of the cash economy at about 6 per cent to 8 per cent of GDP.

But Mr Dilip Bhattacharya, an economist at Leicester University who co-authored the report, believes that unmeasured economic activity has risen sharply in recent years.

# The venom of a snake helped us formulate a life-saving drug. Hoechst.

In a number of civilizations, snakes have long been revered as a symbol of healing.

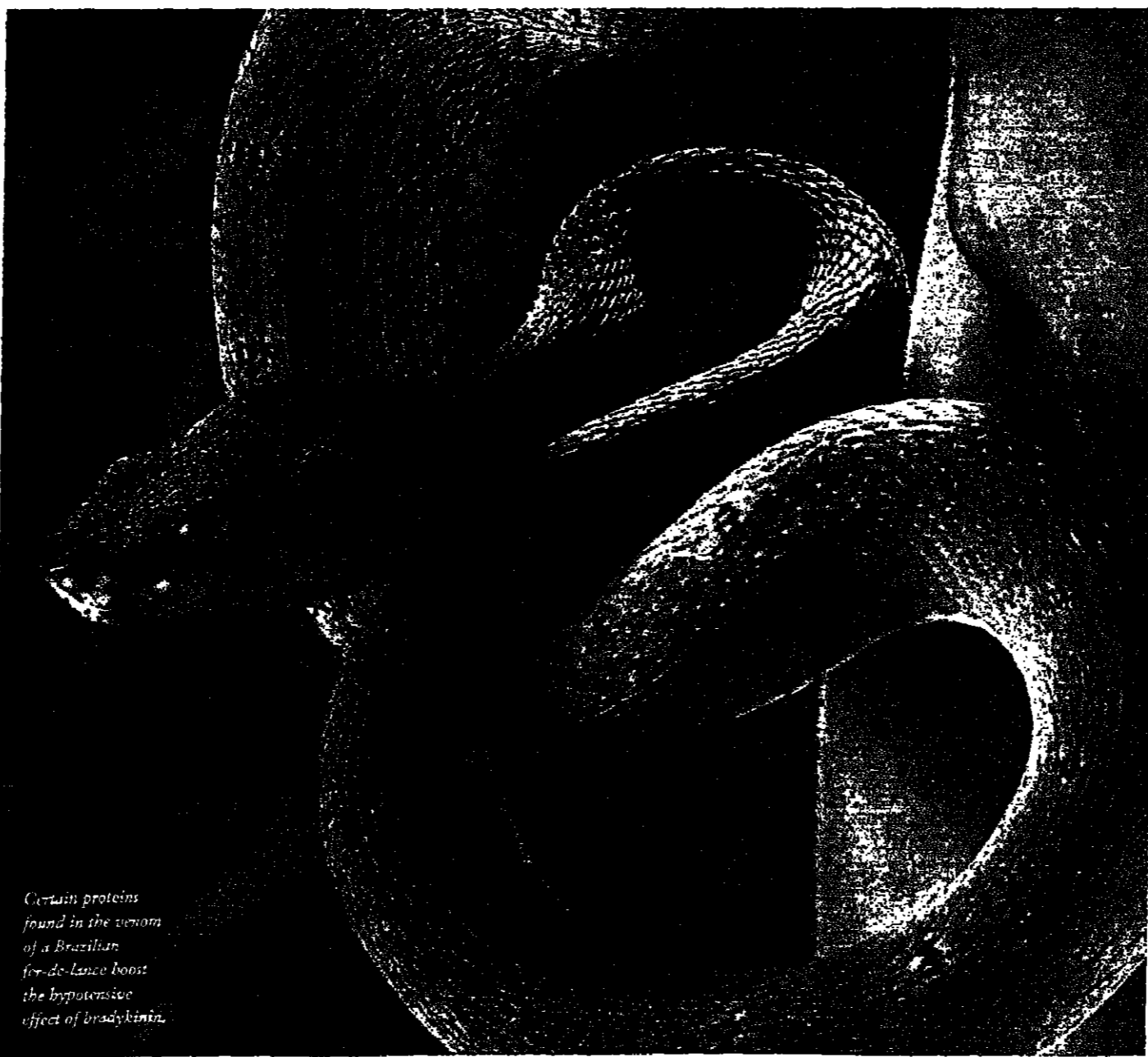
It was 90 years ago that scientists developed a better understanding of exactly how snake poisons act in the human body.

*Protecting the heart and the cardiovascular system.*

An example of research in this field is an active substance used to treat cardiovascular disorders.

The human body contains certain tissue hormones called kinins, which reduce blood pressure and open the blood vessels. Now it has been discovered that the blood-pressure-lowering and vasodilating action of the kinins can be boosted by proteins found in the venom of a Brazilian pit viper.

Scientists at Hoechst Marion Roussel, our pharmaceutical company, have used this dis-



Certain proteins found in the venom of a Brazilian fer-de-lance boost the hypotensive effect of bradykinin.

covery to synthetically produce these proteins and thus develop a new life-saving drug. Research into cardiovascular disorders has always played an important role at Hoechst.

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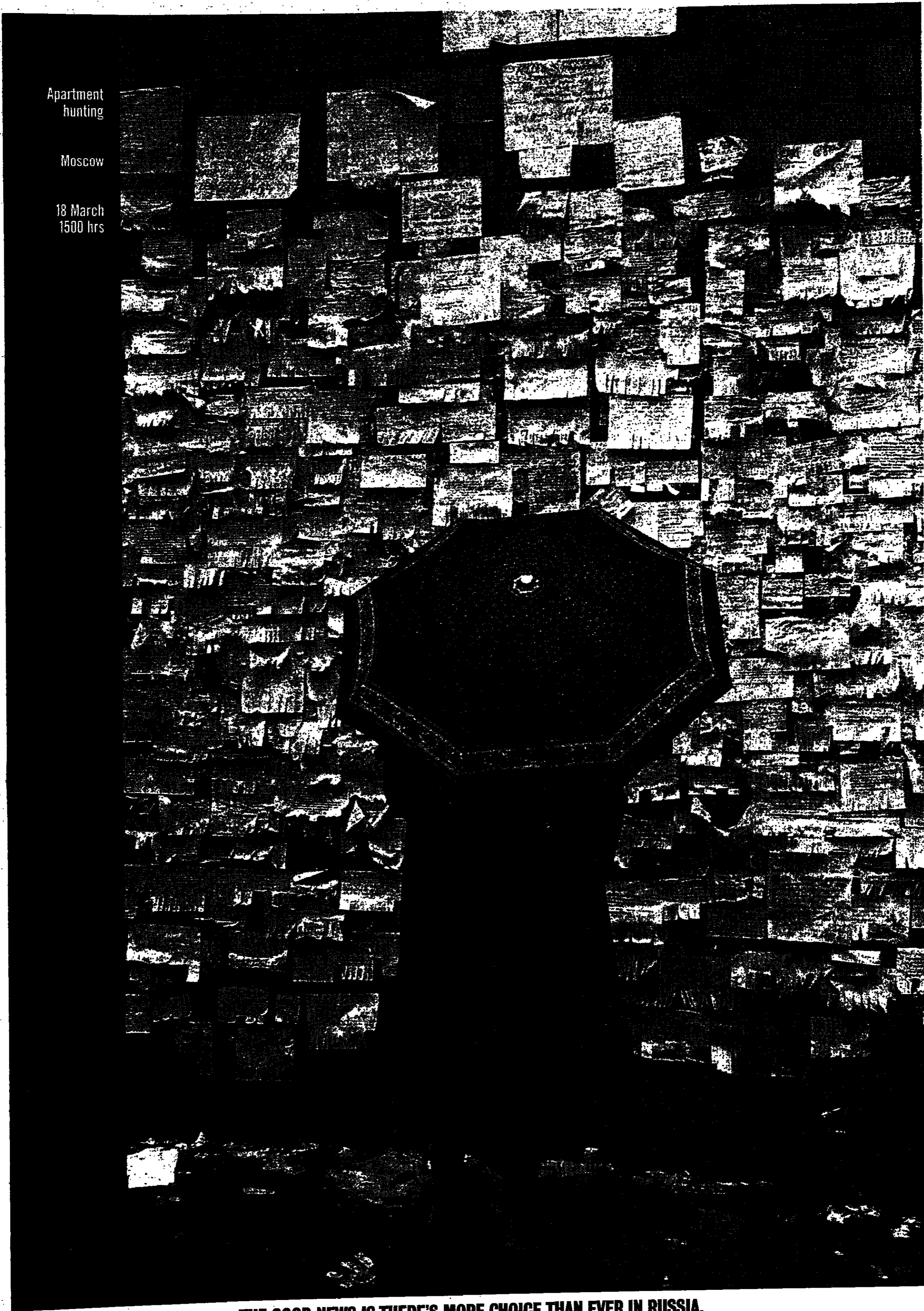
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## MANAGEMENT

# On top of the gender agenda

A conference of women had better things to do than moan about Neanderthal male colleagues, says Tracy Corrigan



The couture salon of Bergdorf Goodman, the upmarket department store on New York's Fifth Avenue, is familiar terrain to the ladies-who-lunch of the Upper East Side.

But the 80 or so women in brightly coloured business suits who gathered there for a cocktail reception earlier this month were of a rather different ilk: they were all US partners of Coopers & Lybrand, the accounting and management consultancy firm, and they were kicking off its third annual women partners' leadership conference.

The two-day event is unusual because it is sponsored by the firm, and involves the participation of senior management, although Xerox and Hewlett-Packard have also held women's conferences. Nicholas Moore, the chairman and chief executive officer, addressed the group, and he and other senior managers, including the firm's two chief operating officers, attended sessions.

Backing the event has been "one of the best and wisest decisions the firm has made", believes Iris Goldstein, vice-chairman, national human resources at Coopers & Lybrand. "It has been an empowering experience. The women partners work with management to set the agenda for management." Which means, she says, that things get done.

Coopers & Lybrand's concern is not solely the principle of equality. There is an economic rationale for the firm's commitment to encouraging women's development.

"The face of our buyer is definitely changing and they expect people who serve them to represent them. And real diversity brings more creative solutions to our clients," says Goldstein.

For this year's conference, she commissioned research to prove it. A survey of 600 female business executives by Louis Harris and Associates, a research company, showed that they prefer to purchase consulting services from women by a margin of 8 to 1. The survey participants also believe that women are more "responsive" when delivering services, "work harder" to make sure business needs are met, and offer a "different perspective".

Coopers & Lybrand has been among the list of 100 best companies selected by *Working Mother*

magazine in the US for the past two years - although not among the top 10, which includes Eil Lilly, International Business Machines, Johnson & Johnson and Xerox.

But its apparent female-friendliness has yet to show itself in appointments at the top of the organisation. Only 119 of its 1,230 partners are female - and although more women are reaching partner level, there is also a higher turnover among female than male partners.

Moore has said he wants 30 per cent of the partner class of the year 2000 to be female. And since the partner conferences were devised, two women have made it to the vice-chairman

level - one in information technology, and Goldstein in human resources.

The drop-out rate could be connected to the demands of partnership at a time in their lives when many women have young children. Only five of the women partners are part-time - and part-time, it turns out, may mean 40 hours a week.

Mary Jefferson, a partner in the business assurance group in Minneapolis, is one of those who has managed to work part-time as a partner. "I didn't have [three] children just to prove it was physically possible," she says.

But initially she was discouraged from reducing her hours.

"When I was put up for partner [in 1992], I sat down with my managing partner and I told him two things. The first was that accounting is like a bowl of ice-cream - I loved it but I couldn't eat that big a bowl. And the second was that I don't have time to spend the money I make, so having more doesn't do me any good."

His response was that the time was not right to go part-time, but that she should go ahead with becoming a partner anyway. She did, and when she applied to go part-time a couple of years later, it was approved immediately.

Her arrangement has worked well, partly because she has been willing to be flexible, for example

putting in extremely long hours for a short burst when a client in Kansas City was unexpectedly put up for sale. She believes part-time and flexible work practices are becoming more accepted. "The thing about starting trends is that there is so much energy spent in creating that trend. The people who follow along have an easier time."

Back at the women partners' leadership conference, participants say they did not spend their time moaning about their more Neanderthal male colleagues. Instead, they networked, discussed marketing issues and performed self-assessment exercises to highlight weaknesses as well as strengths and set themselves goals. However, for many, the conference seems to have been important because it happened, rather than because of what happened.

Jefferson believes that the first conference "gave the firm a call to action", and encouraged the management to set an agenda for diversity issues.

Margaret Enloe, a partner and general counsel, agrees: "This time it was nice because there was an assumption that there would be this meeting and [fewer] comments by the men... they've recognised it's useful for the entire firm." Men have also seen that "the women haven't come out with an 'attitude'. It's been positive energy."

She also believes there is a greater "general awareness that women are an important part of the firm. The current management sets the right tone. [Moore] has made this a strong focus of his agenda."

And the women involved say they came away invigorated and inspired. "To be in a roomful of powerful, articulate, bright women is a very special experience," says Karol Rose, a partner. "It's good to see that there's more than a few of us," says Linda Lanier, a senior audit partner. "It was wonderful to take a moment to self-examine."

Women partners in Europe may be less adept at self-examination, but there are plans to invite them to next year's bash nonetheless.

It may be overdue: according to one former partner of Coopers & Lybrand in London, some of the men in the office there could also do with a bit of diversity training. The culture for women was "appalling", she said.



Gibson (left) and Markham: "We certainly want to reach the partner level"

## PARTNERS

### Hurst Publishing

John Gibson, 36, chairman of Hurst Publishing, and Paul Gibson, 34, founded Hurst Publishing in 1977. The same year they launched *The Times Valley Trader*, a magazine specialising in selling cars. In 1982 they formed an alliance with Guardian Media Group and changed the magazine's name to *Autotrader*. Their turnover last year was £2.2m.

John: "It was a real David and Goliath battle when we launched. We were this little fledgling company taking on the big players, yet they ignored us at their peril."

I remember Paul and I went to see a buyer for W.H. Smith and showed him the magazine. "Have you got today's paper?" he asked. When we said we were both still working at the *Reading Gazette* he said: "Well, I suggest you get your backs to the wall and go back to work, you haven't a hope in hell of succeeding."

It was pretty daunting stuff but we went ahead anyway. I knew Paul was a first-class salesman and a hard-working guy, which is one of the reasons I asked him to partner me.

We had to do everything ourselves in the beginning, taking photographs, selling the space, calling wholesalers, talking to dealers. We had a tiny rented office about 8ft by 6ft, which meant we had to go into the car park if we wanted any privacy. We'd say: "Meet you in the Marina Suite," which was Paul's Austin Marina.

We certainly went through the pain barrier. I think you have to keep things light when you start a business. It's dead easy to spend money left, right and centre. I say: keep it a little greyhound of a business and build on that.

Paul and I sing off the same hymn-sheet in terms of

business and expansion. As we grew into two partners, the work split up. It means any decisions are made quickly, without fussing or calling a board meeting.

Paul: "John and I have always had a healthy respect for one another. We were both achievers and both wanted to go into business for ourselves. We discarded several ideas, like opening a furniture warehouse, because we didn't have the money. Then John came back from holiday in California, having seen a magazine with pictures of cars for sale. We were both selling space to the 'main' trade so we knew instantly this was a golden opportunity."

Before John and I met about his idea he made me sign a piece of paper saying I wouldn't commit anywhere in the world. Obviously he trusted me! It was a funny story. Our very first magazine on sale for 10p. We distributed half a million of them. Then sat back and waited for the business to come flooding in.

Three days later, nothing had happened so we knew we had to go out and make it work. The breakthrough came after Eddie Shah took on the reins. When all the publishing houses in the Reading area were on strike, we found one that wasn't. We managed to get the magazine on the streets.

From then on we began to grow. We're now diversified into other businesses and have an understanding that we offer the other a 50-50 split if it's a serious deal. When John bought Reading Football Club, he offered me the chance to invest but I couldn't afford it then. We could both afford to retire now, but I'm a great believer in having something to get up for in the morning.

Fiona Lafferty

A post-merger business depends on the calibre of its management, finds Vanessa Houlder

## The secret of living happily ever after

Why are some deals so much more successful than others? The unexpected answer, according to a study of large acquisitions, is not price or strategic fit. Instead, the secret of success lies with the calibre of the post-merger management, according to Kenneth Smith and Susan Hershman, two Toronto-based partners of Mercer Management Consulting.

The need to increase the success rate of mergers and acquisitions remains as urgent as ever, despite a slight improvement since the 1980s. In a study of post-acquisition returns to shareholders of deals worth \$500m or more, Mercer found that the success rate this decade has been barely 50 per cent.\*

The consultants have tried to work out the factors affecting the success of deals by examining more than 340 large acquisitions between 1988 and 1996.

No link was found between the price premium - the difference between the offer price and the target's market value three months before the deal - and the value created by the deal. "It hardly means that price is unimportant, but rather that there are

as many expensive deals that create value as there are 'bargains' that don't," the consultants say.

And when the consultants looked at the role of strategy, they found no direct correlation between "better strategy" and improved returns.

Rather than price or strategy, the researchers found that the calibre of post-merger management was the single most important determinant of acquisition

success three years after the deal.

That is why experienced acquirers - those that complete six or more deals a year - succeed significantly more often than do their less experienced competitors, even though they often pay high premiums, say the authors.

They identify three factors behind successful post-deal management: a compelling, ambitious vision which is widely commu-

nicated inside and outside the organisation; meticulous preparation of changes to the structures, processes, systems and culture; and an ability to make changes happen quickly.

The deals that increased shareholder value were those in which the markets saw and rewarded results, based on actions after the deal. The deals which lost shareholder value were those in which the markets were intolerant of inaction or poor results, the consultants say. "For most companies, in short, the deal is won or lost after it is done."

\*Making mergers work for profitable growth, Mercer Management Consulting, 1 Grosvenor Place, London SW1X 7HL.

## CONTRACTS & TENDERS

### ENEA

#### NOTICE BY ABSTRACT OF CALL FOR TENDER

L'ENEA, Ente per le Nuove Tecnologie, l'Energia e l'Ambiente, with Head office in Rome, Lungotevere Thaon di Revel, 76 (tel. +39 6. 362371, facsimile +39 6 36272777) announces an open call for tender for a contract of helicopter services in support of the Italian expeditions in Antarctica. The annual budget amounts to IRL 2000 million (net of VAT/GST) or the equivalent in ECU currency; duration three years. Award: The most advantageous financial tender according to art. 23, sub-section 1, letter b) and art. 25 of the Italian Legislative Decree 157/95. Expiration of tender: in conformity with the unabridged call for tender, not later than 12.00 hours of 10th July, 1997. For tender documentation, to be handed over or forwarded to the Firms (on written request) please apply (Monday - Friday 9 am - 4 pm) to Ing. Antonino Cucinotta (Tel. +39/51/6098494 - Fax +39/51 609 8575) or to Mrs Antonia Goosen (Tel: +39/51/6098610 - Fax +39/51/60986237 or to Ing. Umberto Ponzo (Tel. +39/6/30483525 - Fax +39/6/30484893).

The unabridged call for tender, giving all conditions of the tender, has been sent to and received by the Office of Official Journals of the E.U. on the same date of 16th May, 1995 and published in the G.U.R.I. Part II n.120 of 26th May, 1997, is available at the Unità below.

ENEA - Person responsible for the Unità Coordinamento Procedure di Gare  
Dr. Massimo Urbani

## When your life hangs in the balance

Of 140 MBA students at London Business School, how many aspire to a career in corporate management. A half? A third? No: just six.

What these young things want, apparently, is a balanced life in which they have work, fun, lots of money and plenty of time for their family and friends. That is not all. They also want jobs that will give them autonomy, responsibility, and a sense of achievement and fulfilment. That wish list, most of them believe, is simply not compatible with a career in management at a big company.

This unexpected finding comes from a survey by two professors at LBS and is published in the first issue of the FT's new monthly magazine, *Mastering Management*.

The authors say that there is a crisis of faith in managers. Outsiders do not know what managers do, and regard them at best as dull, and at worst, as greedy. Even sophisticated business school students apparently see managers through the lens of economic theory, according to which they are opportunists who can only sustain profits by distorting and squashing the competition.

The solution, they say, is to educate everyone about the valuable, essential role played by managers, the prosperity they create, the creativity they nurture, and so on.

This analysis is shocking, mainly because of where it comes from. If LBS graduates have little idea about what managers do, then one wonders if they learn anything at business school at all.

Over the past decade there has been a revolution in corporate management and one might have thought that some of this would have trickled through. Indeed, you could say that the careers big companies offer have never been brighter, salaries never been higher,



Lucy Kellaway

challenges never greater. According to their own rhetoric, companies promise responsibility, training and job flexibility on a scale inconceivable a few years ago.

There is, of course, another explanation. It could be that there is no crisis of faith in managers. It may simply be that suddenly everyone wants to be a management consultant or, failing that, an investment banker. If all those MBAs really do want to work for McKinsey, Boston Consulting Group, Goldman Sachs and all the rest, good luck to them. But if they believe that being a consultant or investment banker will

mean having a balanced life with plenty of time for family and friends, they may be in for a rude shock.

Caring New Labour has much to learn about staff motivation. Its announcement that the supervisory functions of the Bank of England were to be passed to a beefed-up Securities and Investments Board was a classic example of how not to handle this kind of thing. Even the most ruthless private-sector company knows that the one thing you must never do is

announce a big deal and leave staff dangling with no idea of how it is going to affect them.

The correct way to proceed is with a blitz of communication, with meetings, question-and-answer sessions, information sheets and fixed time-tables. To deal with staff as an afterthought is the best way to ensure anxiety, demotivation and bitterness. It is also an invitation to the brightest to walk out of the door.

No one actually reads management books. Most of them are too boring and life is too short. But everyone likes to pretend they read them so that they can drop references to the latest theory or catchphrase.

A solution is offered by a company called Book Talk. Every month it will send you "key essentials" from four leading business books on a cassette. My only concern is that the company suggests the tapes be played in the car.

Surely, like cough medicine, they can cause drowsiness, and are dangerous when driving.

Just in case you missed it, last week was National Breast-feeding Awareness Week. To celebrate this, Avent has sent me details of its revolutionary breast pump.

I was about to file this information in its rightful place when I noticed this quote from an American woman: "The great thing about the pump is its quietness. I pumped in meetings and no one had any idea."

That this woman feels she could not get 10 or 15 minutes of privacy is sad. That she boasts about working and pumping at the same time is pathetic. What does she mean, no one noticed? Didn't they wonder why she had her arm and a plastic contraption shoved up her shirt?



BANX

Victoria Griffith investigates business schools that put their money where their mouths are

# Expensive way to learn

Most business school students content themselves with pretend money when learning about the world of finance, but a growing number are demanding - and getting - real funds for their classroom pursuits.

The University of Texas launched its \$3m (\$1.8m) fund last year; MBA candidates at the University of Iowa run a \$200,000 book; and students at the University of Wisconsin manage a \$1.5m portfolio.

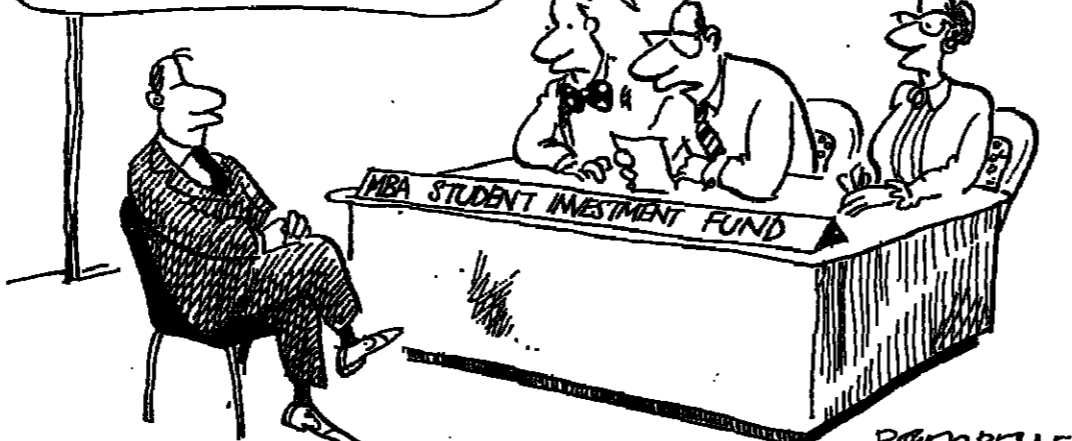
Cornell University hopes to be next to join the real money crowd with a multi-million dollar student-run fund. Charles Lee, finance professor at the school, says he is talking to several big money managers about participating in the experiment and hopes to finalise terms over the summer.

The students' funds do not fully reflect the real life world of money management. They are not offered on the open market; the money usually comes as donations from alumni and private companies. During the summer months, when the classes are not in session, the funds are largely ignored.

As an educational tool, though, the students' learning experience is significantly enhanced by knowing that their decisions have real-life consequences.

"The reality of it creates a cer-

WE'RE GOING TO NEED MORE DETAIL ON YOUR MONEY MANAGEMENT PROJECT THAN "SOUTHERN BELLE IN THE 3:30 AT KEMPTON PARK" SULLIVAN



tain pressure," says Beth Schulze, who participated in the University of Texas programme and is about to take a job as an investment manager with the Texas firm Sayez Sarofin. "You pay much more attention to it."

The real money programmes offer a fuller experience than simulations because students have to fill out forms and carry out the deals through brokers. There is also an important inter-personal

element to managing the MBA funds. Students are forced to "sell" their ideas to colleagues, professors or outside investment advisers. This experience, say participants, helps build up important client relationship skills, and gives them a leg-up over other job applicants when they graduate.

Yet the funds do have drawbacks. For one thing, not all MBA candidates are allowed to participate; universities select top finance

students only. At the University of Wisconsin, for instance, just 15 of 500 students are involved.

The funds are also expensive to run. Although the students are not salaried, computers and trading commissions are costly and the funds lack the economies of scale to make these expenditures easy to swallow. High overheads and inexperienced students mean the funds tend to underperform the market in the long run.

Students complain of investment restrictions. To minimise risk, funds at the University of Iowa and the University of Texas follow stringent rules. Students must also get approval from outside advisers for any significant shift in the portfolio.

Lee, who is hoping to use the Cornell fund as a test laboratory for his investment theories, says he plans to keep a tight rein on his students as well, and will personally review all trades.

Students running the University of Wisconsin funds enjoy the most flexibility. They can invest in options, for instance, and do not need the approval of a professor or outside adviser to make decisions.

Yet that independence also carries a price: students lost nearly all the money in one of the funds during the 1987 crash, by selling into the downturn. Fortunately, the second fund looked for buying opportunities and performed well, allowing the university to maintain its overall portfolio.

"Sometimes I do worry that the money will run out, but to get the true experience of the market, you have to let them make mistakes," says Mark Pedinla, the professor in charge of the University of Wisconsin funds. "The students who lost all that money during the crash probably had a more valuable experience than any other class."

## NEWS FROM CAMPUS

### First professor of knowledge

America's first professor of knowledge has been appointed at the Haas school of business at the University of California, Berkeley. The chair has been endowed jointly by Fuji Xerox and Xerox Corporation to the tune of \$1m (\$600,000).

The job has gone to Ikujiro Nonaka, specialist in knowledge creation and dissemination in the workplace and author of *The Knowledge-Creating Company*, which studied innovation in Japanese companies.

Russ: US, 510 642 8228

### Management art for legal eagles

Lawyers who want to learn more about management will be soon be able to study for an MBA for lawyers, a course run jointly by Manchester Business School and the law faculty at the University of Manchester. The part-time course will combine Manchester's MBA programme with tailored workshops, lectures and projects which

demonstrate the application of good management practice in a legal environment.

MBS: UK, (0)161 275 6333

### Knees-up for Spanish MBAs

Alumni from Iese, who are now working in Europe, will have their first organised reunion in Barcelona on Saturday.

The school is expecting nearly 300 MBA graduates to attend from 20 countries. Topics on the agenda, all to be discussed in English, include new approaches to retailing, the implications of European monetary union, and business and the internet.

Iese: Spain, 3 204 3000

### Global dean at Chapel Hill

The Kenan-Flagler Business School at the University of North Carolina at Chapel Hill has promoted John Pringle to the new post of associate dean for international programmes.

Kenan-Flagler: US, (919) 962 7235

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- Supervise holding company accounting matters

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Back catalogue gold dust: Serge Gainsbourg, Paul Weller of The Jam, Jimi Hendrix, Elvis, and David Bowie

## Recycled rock finds a niche

Back catalogue has staged its own comeback, writes Alice Rawsthorn

When David Bowie first regained control of the master tapes, or original recordings, of the 18 albums he made in the 1970s, including *Ziggy Stardust* and *Aladdin Sane*, they were valued at \$3m.

Ten years later, he has sold the rights to distribute those albums, and seven more recorded in the early 1980s, to EMI Music for a \$32m (\$20m) advance. EMI plans to re-release the albums from autumn onwards.

Meanwhile, rival record companies are busy recycling other rock legends.

● PolyGram is issuing a boxed set of The Jam's albums next week. 20 years after *In The City*, the punk band's first single, came out.

● RCA plans to mark the 20th anniversary of Elvis Presley's death in July by issuing *Platinum - A Life In Music*, a compilation of 100 songs.

● Universal Music plans a series of releases following its acquisition this year of the rights to the recordings

by Jimi Hendrix, the celebrated 1960s guitarist.

Back catalogue, as the music industry calls old recordings, has always been highly profitable, largely because the costs involved are negligible.

Releasing new albums requires hefty investment in recording, marketing and subsidising touring costs. The bill for launching a debut album in the US is rarely less than \$800,000.

Few of these costs are incurred when selling back catalogue. Record companies may pay for some advertising to promote special releases, such as Elvis Presley's *Platinum*, but they generally need far less than for new releases.

Other record companies, who plan to tour after this autumn's release of an acoustic version of *Rumours*, their best-selling 1977 album.

The success of these acts reflects the broadening demographics of the music market. The teenagers who bought their records and concert tickets in the 1960s and 1970s, are now buying them again as affluent adults in their 30s and 40s.

one of PolyGram's best-sellers, and Elvis Presley, whose classic 1950s and 1960s albums still sell millions of copies a year. Similarly

superstar groups, such as PolyGram's U2 and Warner's R.E.M., generally benefit from healthy increases in catalogue sales to the new fans they attract by releasing new albums.

Recently, rock legends have become more popular. The highest-grossing US rock tours in recent years have been by 1960s and 1970s veterans, such as Kiss, the Rolling Stones, Pink Floyd and the Eagles.

The next comeback contenders are Fleetwood, who plan to tour after this autumn's release of an acoustic version of *Rumours*, their best-selling 1977 album.

The success of these acts reflects the broadening demographics of the music market. The teenagers who bought their records and concert tickets in the 1960s and 1970s, are now buying them again as affluent adults in their 30s and 40s.

What a record company really likes is for an established artist to attract a new generation of young fans, as well as nostalgic old ones.

The Beatles have sold more than 40m albums for EMI since the launch of the first of three *Anthology* albums two years ago.

The Beatles are exceptional. Not only did they enjoy a rare combination of critical and commercial success, but the brevity of their eight-year recording career, coupled with John Lennon's early death, has imbued them with a mythic stature that eludes their peers, such as the Rolling Stones, now preparing for yet another world tour in their 60s.

Other rock revivals may be smaller in scale than the Beatles', but they can still be highly profitable. The Jam are cited as an influence by so many contemporary British artists, notably Noel Gallagher of Oasis, that PolyGram hopes to sell its 20th anniversary boxed set to young Britpop fans.

PolyGram had an unexpected windfall in the US last year when Danny Goldberg, president of its Mercury label, noticed that hip record stores in New York and Los Angeles were importing the compilation albums released in France to commemorate the 10th anniversary of the death of the singer, Serge Gainsbourg.

Mercury issued the albums in the US too, and sales of Gainsbourg's back catalogue have since risen steadily.

RCA has loftier ambitions for its Elvis Presley *Platinum* boxed set, part of a plethora of 20th anniversary events including the opening of an Elvis-themed restaurant in Memphis, and a series of US television specials.

Behind the scenes, ICM, the Hollywood talent agency, will be negotiating media and merchandising deals for its new client, Elvis Presley Enterprises.

EMI has yet to finalise its plans for the David Bowie catalogue, which includes thousands of hours of unreleased material. It has 15 years to recoup its \$32m before the contract ends - and David Bowie auctions off his musical past again.

## MARKETING

# Orchestras aim to pass the baton

Victoria Griffith finds demographics transforming a classical performance art

The lights dim in the concert hall of the Colorado Symphony Orchestra, and the audience falls silent. Conductor Marin Alsop raises his baton to direct a piece by composer Scott Bradley, and over the performance stage a camera image is projected. Tom and Jerry, the famous duo, scamper across the screen.

What are Tom and Jerry doing at a classical music performance? The symphony orchestra hopes they - and other marketing innovations - will bring in larger and younger audiences.

Symphonic orchestras are not the only US entertainment form facing an increasingly grey-haired clientele.

But the demographics of symphonic attendance are striking. A study of concertgoers released last year by the National Endowment for the Arts found audiences declining for every age group under 50. According to the St Paul Chamber Orchestra, only 6 per cent of its

audience is under 35.

An ageing audience eventually means more empty seats.

Eight symphony orchestras have closed in the US in the last ten years. Last year alone, the orchestras of San Diego and Sacramento shut down.

What's needed, say observers, is a complete overhaul of marketing strategy.

Eugene Carr, president of Culture Finder, a Net information service about the arts, says he realised just how little symphony orchestras have changed when the New York Philharmonic recently presented a concert nearly identical to a performance a century ago.

Previously foreign concepts like "building a brand image", "measuring customer satisfaction" and "creating name recognition" are finding their way into classical music parlance.

The Oregon Symphony, for instance, has conducted market research to find out what appeals to its viewers. "Our theory is, the music's not the

problem, it's how it's presented," says Don Roth, director of the orchestra.

To attract a younger clientele, the Oregon Symphony has introduced concerts under a new "brand" name, Nerve Endings. "We did it this way because it lets people know that these concerts will be different from your standard fare," says Maureen O'Connor, in charge of marketing for the orchestra.

Under the auspices of the new brand, the Oregon Symphony is venturing on to new ground. A February concert featured a corpse in the lobby, cordoned off with police tape. The corpse was a dummy of Mozart, a display designed to create a mood for that night's Mozart programme.

Another Nerve Endings performance featured a Flamenco-inspired classical music programme, complete with dancers, videos of Flamenco singers, and discounts to Flamenco parties at local night clubs.

## DESIGN

# A deal to bottle success

If it's expensive, French, and comes in a bottle, it probably looks the way it does because of two companies.

The main benefits are working in very different markets, who are about to celebrate a marriage of convenience.

This week perfume design house Ateliers Dinand seals a deal with Linea, designer of drinks bottles for the likes of Moët et Chandon and Remy Martin.

Both companies are leaders in their field - an estimated 80 per cent of fine fragrance bottles worldwide are designed by Ateliers Dinand. But the partnership is unlikely to result in brandy

bottles designed for the dressing table or perfume packaging that goes pop.

The joint venture hopes, for instance, to make use of Dinand's overseas sales force for both companies - most of Linea's business is done within France, while 85 per cent of Dinand's is in the export market.

The joint holding company will be called Financière Castiglione SA, but the two companies will remain independent, retaining their brand names and separate studios.

"Ateliers Dinand has been in existence for more than 35

years. Linea for more than 20 years," explains Dinand's CEO Christian Jauffret.

"There will, however, be opportunities for involving members of both design teams on, for instance, one perfume project. It also means we could, if necessary, mobilise all 30 designers to work on a rush job."

Although both companies are at the luxury end of their markets, perfume and alcoholic drinks pose very different challenges, according to Jauffret. "The marketing target is very different."

Judith Gubbay

## INTERNET

# Time for Europe's extranet

The creation of a European extranet funded by the European Union to allow the expansion of on-line communication to continue has been called for by a group of leading media and communication professors.

The group led by Axel Zerdick, professor of economics and mass communications at the Free University of Berlin, believes that the present US-dominated internet creates too much international traffic for local information needs. "Europe should take this opportunity to build a strong pan-European infrastructure of its own," he says.

If more people try to use the internet, the only hope of a high performance network lies in a new one with a reasonable balance of regional and international traffic. The EU should invest in servers and decentralised databases "with local, regional, national and international content, to ease and speed up on-line usage in Europe."

The proposition is one of 10 theses extracted from the work of mass media and communications academics worldwide, brought together by the European Communications Council, a privately funded body set up to look at the forces and trends that will shape communications.

The money for the continuing programme of study is being provided by MGM MediaGruppe of Munich, an advertising sales house.

Apart from Zerdick, the other council fellows are Philip Schlesinger, director of the Media Research Institute at Sterling University, Percy Tannenbaum, professor of Public Policy at the University of California at Berkeley, and Alessandro Silj, director of Research on Media Associates.

Another thesis warns that the internet was not built to incorporate all the new services and will implode if used for telecommunications and listening to radio. New backbones, new overlay networks, intranets and charging methods are emerging which will replace the present internet.

The academics warn that the much-hyped media revolution has yet to reach

Europe. By mid-1996, only between 1 per cent and 2.5 per cent of the population in France, Germany and the UK used it, compared with 5 per cent in the US.

European services with European content are developing but bottlenecks remain - in particular high prices set by *de facto* monopolies which limit on-line connections. The US approach of integrating broadcasting and telecommunication regulation is the way forward for Europe, the academics believe.

*Exploring The Limits - Europe's Changing Communication Environment* is published in English by Springer.

Raymond Snoddy

Tim Jackson • On the Web

# Dawn of micro-payment era



At a technology conference in Paris last week, I witnessed an extraordinary confrontation. It took place between representatives from a Dutch telecoms company and two US companies that sell electronic micropayments systems.

The two Americans, one from Cybercash and one from First Virtual Holdings, each made separate, persuasive pitches for a new payments system. They demonstrated smart new technologies to ease the process of buying online, and displayed charts showing big increases in the use of their systems.

But the Dutchman was unimpressed. He argued that electronic commerce is more advanced in Europe than in the US, making the point that the Dutch moved from cheques to electronic payments 25 years ago.

And he accused the Americans of cultural imperialism by trying to force European customers to adopt systems designed for US consumers.

Now I don't believe that

cultural differences are the main reason why new American payments systems are making little headway in Europe. The new payments technologies are making little headway anywhere.

After nearly two years of trying, Cybercash has signed up only 800 merchants to its system - fewer than the smallest credit-card issuer.

Part of the problem is that the new payments companies have had difficulty distributing their technologies. The most common way that internet users come across the systems is on Web sites that use the technologies to sell products.

Once you have made the decision to buy something, it is irritating to be forced to fill out a form for the payments service. No one would expect to sell credit-card services to a customer who is already at the front of the checkout line at a supermarket.

So the payments companies need to sign up users of their service before they are ready to start buying.

But there is a more fundamental problem with the potential market. The new electronic payments systems are designed to make it cost-effective to carry out

small transactions, for a few pence or dollars, at a distance. Yet consumers aren't used to such transactions, and several things need to happen before they will be.

At present, mail-order and catalogue companies sell physical goods to consumers, but the cost of delivery tends to make it uneconomic to fulfil very small orders.

When the price of the transaction rises to \$50 or \$100, and makes the order worth delivering, standard credit cards begin to look more attractive to merchants. They can widen the potential market from thousands of Net cranks to millions of so-called normal cardholders.

If the commodity is information, or other services, the delivery cost problem that affects low-value transactions for goods does not arise.

But services have their own problem. Because it has rarely been possible in the past for services to be sold in very small pieces, providers have different forms of subscription. Lawyers charge by the hour, not by the letter.

So consumers have little experience in valuing small-

scale services.

There is also a psychological problem: a ticking meter tends to make people use a resource much more sparingly than if they sign up by the month or year - and the result might be that total revenues are less.

So are electronic micropayments doomed? I think not. First, the companies that developed them are getting better at marketing.

Other changes make the prospects more promising. Later this year, the US Postal Service will start accepting mail that is franked electronically on the printer of a standard PC.

This will eventually make it economic to mail-order packages worth \$10, and will stimulate a big new low-end mail-order market.

Changes are also likely in the market for services. Directory assistance shows customers can get used to spending tens of pennies simply to find a phone number.

The long-term prospects for electronic micropayments are good. Whether the existing players will bring rewards to their investors is a different question.

tim.jackson@gobox.com

## FTid - The Internet Directory

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## BUSINESS TRAVEL

## Travel News • Roger Bray

## Plans for Kiev

Inter-Continental plans to open a five-star business hotel in Kiev, the Ukrainian capital, next spring. It is likely to be the first of its kind in the country and should deflect criticism that the city has "western hotel prices without western standards", to quote a British resident.

The 11-storey, 204-room property will be opposite St. Sophia Cathedral, modelled on the basilica of the same name in Istanbul. It will incorporate a restaurant, business centre, banqueting and conference rooms, a

nightclub and shops. It should be ready in time for the annual meeting of the European Bank for Reconstruction and Development, due to take place in the city.

## Rooms on web

Travellers to Britain and Ireland can now trawl for hotels on a website set up by the Royal Automobile Club, the UK motoring organisation ([www.rac.co.uk](http://www.rac.co.uk)). It enables you to click on a map, tap in requirements such as conference facilities, pool or

squash court, and view a list of all suitable options within 25 miles. The site covers 1,300 properties, all checked by RAC inspectors.

## Peacock's tail

Executives under stress are to be offered free tuition in catching a peacock's tail, playing the guitar, or finding a needle on the seabed at Hong Kong's Peninsula Hotel. These are all sequences of movement in Tai Chi, the ancient Chinese art of keeping fit, which is said to relax nerves, stimulate blood circulation and mental alertness and improve the functioning of internal

organs through deep breathing.

Classes in its mysteries will be taught on the Sun Terrace by Master Kwok Wing-Cheong each morning from July 1 to October 8.

## Ticketless Spain

Iberia has launched Spain's first experiment with ticketless travel on flights between Madrid and Valencia. Passengers are able to book by credit card via a 24-hour telephone service.

There will not be automatic check-in machines at the airports. Instead passengers will use dedicated desks where they

will need to show proof of identity.

Meanwhile British Airways, which has extended ticketless travel to all domestic services, says some passengers have been taking as little as 50 seconds to check in at self-service machines.

## Manchester hotel

A £37m hotel is to be built in Manchester, incorporating the Italianate facades of the city's 19th-century Free Trade Hall, original home of the Hallé Orchestra. A 290-bedroom, four-star property, it will be part of the Millennium and Copthorne portfolio, which

includes London's Chelsea and Britannia Hotels. It will be part of a regeneration embracing a convention centre, an amphitheatre, shops and restaurants.

## New York deals

New York continues to produce summer hotel bargains. Manhattan's The Mark, on Madison Avenue, is cutting executive suites from \$625 (£386) to \$395 a night between June 27 and September 7.

De luxe double rooms will cost \$260, compared with the usual \$380. The 180-room hotel recently underwent a \$4.1m refurbishment.

## Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	22-28	22-28	22-28	22-28	22-28
Hong Kong	22-28	22-28	22-28	22-28	22-28
London	18-22	18-22	18-22	18-22	18-22
Frankfurt	18-22	18-22	18-22	18-22	18-22
New York	18-22	18-22	18-22	18-22	18-22
L. Angeles	22-28	22-28	22-28	22-28	22-28
Moscow	18-22	18-22	18-22	18-22	18-22
Paris	18-22	18-22	18-22	18-22	18-22
Beijing	18-22	18-22	18-22	18-22	18-22

**FAST**

## LA is a great big freeway

Regular visitors to Los Angeles know that renting a car is essential to cope with the huge urban sprawl and its widely scattered commercial and industrial activities.

Usual practice for most is: exit aircraft; head for nearest rental desk and cheapest deal; pick up keys of Slush-tank Anonymous De Luxe Mk11; put automatic in gear; brain in neutral; hit freeway; get lost on way to hotel.

It need not be like that. Budget Rent A Car has just injected a note of excitement into the whole tedious business - although it is strictly for the well-heeled business person or one seriously in need of an emotional lift.

In Budget's Beverly Hills scheme of things, the visitor takes the hotel courtesy bus, cab or airport limo to the hotel. Then, once duly refreshed, he or she hops into or on to an altogether

But it's much more fun if you are driving something out of the ordinary, says John Griffiths

more alluring array of machinery delivered by prior arrangement to the hotel. Fancy a day or two in a Dodge Viper? Chrysler's monstrous eight-litre two-seater, more at home at Le Mans than on the freeway, is available for rent at \$541 (£333) a day, including taxes, plus 54 cents a mile.

Porsche's new Boxster sports car, for which buyers are having to wait a year or more, is on hand for \$270.50, plus the same 54c a mile. Mercedes' own new sports car, the SLK, for which the buyer waiting list is even longer, is available at an identical charge.

And anyone with a motorcycle licence and feeling really adventurous can leap astride a "hog", one of

Harley-Davidson's legendary two-wheelers, at rates starting at \$69 a day, plus taxes and with the first 100 miles free.

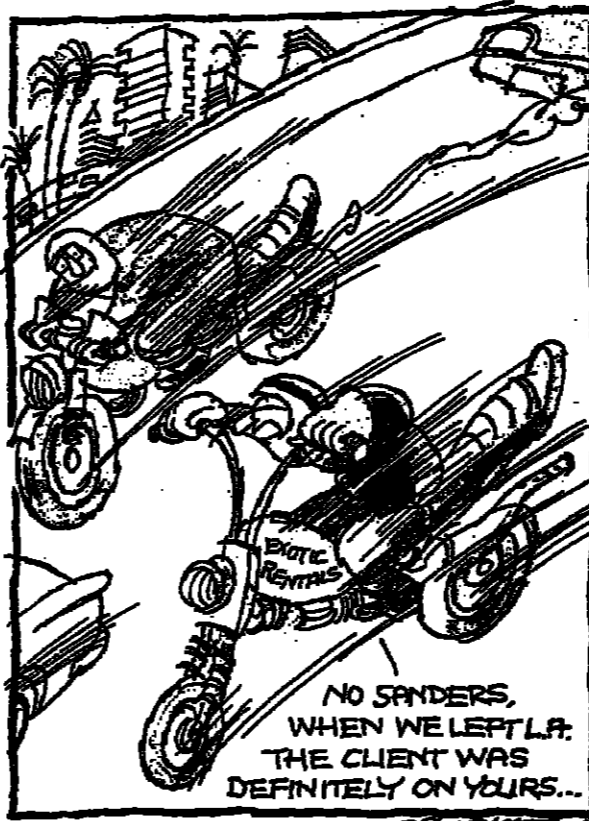
Helmet and clothing are provided. And since US drivers display none of the homicidal intent towards motorcyclists shown elsewhere, the proposition is by no means as daunting as many might think.

Budget, based in Wilshire Boulevard, claims to run the world's biggest rental fleet of mobile exotics - it includes a civilian version of the "Hummer" four-wheel-drive vehicle of Gulf war fame as well as Rolls-Royces and Ferraris. The company has tied up with more than a dozen hotels in the Los Angeles and Beverly Hills

areas to operate the scheme. It has also allied itself with California Cruisers Motorcycle Rentals to offer the Harley-Davidson scheme. The company is not alone in venturing into exotica. Avis, Hertz and other big car hire companies are also extending their ranges.

And London, in particular, has several companies, including Elite Rentals, Euro Style, Town and Country and others specialising in Ferraris, Porsches and other upmarket desirables - not all for overseas visitors.

To pay £348 a day for a Porsche 911 from someone like Euro Style, mainly to get stuck in the congestion of southern England's road system, might seem like an exercise in financial masochism. The long driving distances inevitably involved in the LA basin, however, provide a great opportunity to wrap indulgence in the cloak of transport "need".



## Perils of life on the move

Business travellers are getting jumpy. A report suggests they are more likely to choose an airline with a reputation for safety than one with aircraft that leave on time. But only 29 per cent claim they always pay attention when cabin staff point out emergency exits.

The findings of the latest international Business Travel Lifestyle Survey by time-table publisher OAG show that a crash-free record has become the second most persuasive factor in the choice of an airline. A convenient schedule remains the most powerful draw.

The survey of 5,250 travellers from nine countries says 14 per cent ignore pre-take-off safety announcements altogether, with the French and Italians the most cavalier.

A reputation for punctuality, extra comfort and leg room, and efficiency at check-in are the next three most important considerations. The sixth is an attractive frequent-flyer programme, with the prospect of collecting more points tempting about 8 per cent of passengers to defy company travel policy.

But although such schemes have sucked in even more French, British and German members since

last year, OAG says there is "some evidence" that their influence may be waning.

Perhaps because of the routine nature of US domestic air travel, Americans are adamant that, in return for all those dreary hours at airports, they deserve hotel upgrades and Hawaiian holidays.

The survey records a slight increase to 44 per cent in the number of business passengers travelling in economy or coach class, which may be the result of sharp increases in premium fares on many routes.

It says nearly a quarter have used the internet as a source of travel information. In the US and Japan the proportion is 30 per cent. Four per cent of Americans have made direct bookings via the web. The British, however, are "most suspicious of its reliability and the least impressed".

And anyone who imagines that business travellers are invariably from vast corporate empires should note that according to the report nearly half work for small companies with fewer than 25 employees.

Roger Bray

OAG Business Travel Lifestyle Survey 1997, Reed Travel Group, £125

European business travel costs continue to soar well above inflation, according to American Express figures.

Average business-class fares rose 5 per cent in the first quarter of this year, while hotel rates in North America and the Middle East have increased more than 10 per cent in the past year.

The American Express European Business Travel Index, a quarterly monitor of fares between 139 pairs of cities and of 329 hotels in 56

## Cost of doing business

cities, shows business fares from western Europe to all regions rose in the first quarter. The biggest increase was to the Middle East - up 9 per cent and contributing to a rise of 13 per cent in two years.

Fares to North America climbed 6 per cent. They have risen 16 per cent in two years.

British business fares rose 8 per

cent in the first quarter and have risen 20 per cent since 1995. But recent increases have done little more than bring prices in line with the European average. UK discounted economy tickets remain much cheaper than from other western European countries.

Kyle Davis of Amex attributes the rise in European fares to the

increases in jet fuel prices, the strength of the dollar against European currencies and strong demand for travel.

He believes the worst is over. "After the biggest increases in three years of compiling the index, we think fares are going to stabilise because fuel prices have stabilised. We may even see some

markets where fares come down."

The index shows that the steep rises in hotel rates in the past year have been in Chicago and Bombay - up 26 per cent and 15 per cent respectively. The UK, Belgium and Italy are up 8 per cent while rates fell 1 per cent in Germany, Austria and Switzerland.

Amon Cohen

American Express Europe, 0171 976 4677/4498

**THE AMERICAN EXPRESS**

traveling and in sudden need of medicine that's unavailable in Moscow, don't worry, we'll have it flown there immediately **SERVICE.**

VALENCIA, Tuesday, June 13 - Her job title read "Administrative Support," but for Rosa Barea of our Travel Service Office in Valencia, Spain, a more fitting title might have been "Administrative, Medical, Emotional and Moral Support."

She earned it when she helped a Cardmember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support.

Ask Rosa, and she, like a lot of American Express employees, would say, "I was just doing my job." That's something to keep in mind when you're far from home and have a job for us to do.

**THERE IS ONLY ONE AMERICAN EXPRESS.**

ARTS

OPENINGS

**AMSTERDAM**  
The Holland festival opens on Sunday with a new production of *Le Nozze di Figaro* at the Muziektheater. It is staged by Richard Jones and Anthony McDonald, and the cast includes Gwyneth Jones, Kathryn Harries and Pauline Tinsley. Other festival highlights include a Bob Wilson staging of *La Mefistofele* at La Mort; by Marguerite Duras (far right), and a Mauricio Kagel retrospective.

**MILAN**  
Welsh baritone Bryn Terfel (right) makes his debut at La Scala on Friday, singing the title role in



**LONDON**  
The god Krishna is the subject of an exhibition at the Whitechapel Art Gallery, opening on Friday. The show, which will also feature Huddersfield and other works, brings together over 120 works dating from the 10th to the 19th centuries, featuring a selection of Krishna's life story. The exhibition, 'The South Bank's season of artistic inspiration', opens on Friday with an exhibition of Indian miniature painting. The BOC Covent Garden festival opens tonight at the Lyric Theatre, with the European premiere of Steve Elia's musical *Beach* (Berkeley Bay). The festival also includes a 10th-century manuscript and a painting of Handel and



led by Sally Dexter. Claran Hinds, Clive Owen, and Liza Walker. English National Ballet installs itself on Thursday at the Royal Albert Hall, with *Swan Lake* (what else) danced in the round by more swans than anyone has ever before seen in captivity. The reason for going is to watch the Kirov divinity Alina Astasheva, who will appear on Thursday and again on June 3, 7, and 11 as *Odetta/Odile*. Otherwise the show is for seekers after curiosities.

**BATH**  
Iannis Xenakis is the central figure in the Bath festival's contemporary music weekend. The opening concert at the Guildhall on Friday is devoted to music for percussion and tape, using Xenakis's computerised technique of manipulating sounds from visual images.

# Portrait of the artist as a psychoanalyst

Jackie Wullschlager on a ravishing celebration which explores Freud's influence on Viennese art

Why, 150 years after the invention of photography, do we still find portraits riveting? As long ago as the 18th century, artists were justifying them by theories of character - "a Portrait is a sort of General History of the Life of the Person it represents", claimed Jonathan Richardson, Georgian portraitist and leading critic of the day. Yet try to fix the character of most pre-20th century subjects - Titian's nudes or Velazquez's aristocrats, Gainsborough's country gentlemen or Rossetti's *femmes fatales* - and you realise you know them only from the outside: sensuous or sultry women, haughty or composed nobles.

The beginning of a new kind of penetrating psychological portrait which presents the sitter from within, as if he or she were painted on the analyst's couch, is the subject of "Vienna 1900: Portraits and Interiors, a ravishing new exhibition at Amsterdam's Van Gogh Museum. It places portraits by Vienna's greatest artists - Klimt, Schiele, Kokoschka - and by lesser-knowns such as Carl Moll and Kola Moser, in the setting of contemporary interiors, costumes, theatre designs, books and other works of art, and invites us to watch how, within a generation, one city suddenly found language and symbols to express the inner life.

Nothing has shaped modern western culture more than Freud's theory of the unconscious: this exhibition paints the brilliant, troubled backcloth from which Freud emerged, and shows us why he could have come from nowhere else.

Freud's adversary Karl Kraus, who defined psychoanalysis as "the disease of which it pretends to be the cure", called 1900s Vienna "an isolation cell in which one was allowed to scream". The rich, leisured capital was the apotheosis of Europe's *fin-de-siècle* mood: it mixed weariness of life, doubts, hectic exuberance and the social unrest which would end in the fall of the Habsburgs. The mass response was a retreat into the

aesthetic and the erotic. The popular hits of the 1900s - Strauss' *Der Rosenkavalier*, Mahler's symphonies, Schnitzler's plays like *Der Reigen (La Ronde)*, with its scandalous plot of shifting sexual partners, Klimt's paintings - all swoon to the cult of sensual beauty.

In a city so classical and art-obsessed that it feels like an open-air museum, the Viennese have always had a tendency to see life as a sumptuous "Gesamtkunstwerk". No one illustrates it better than society painter Hans Mackart, whose heavy red and gold interiors and nostalgic portraits seem today to embody the Viennese repression that Freud was challenging.

The opening gallery here presses in on you as Mackart's studio, all velvet and oak and dead animals, must have hemmed in the breathless crowds at his famous parties. Here is his glittery *Midsummer Night's Dream* bedroom designed for the Empress Elizabeth's hunting lodge, and his portrait of Charlotte Wolter, the histrionic burlesque actress as a proud detached Miss Manners. Klimt once bribed the maid to show him Mackart's studio while the artist was taking his siesta. Years later, when he rejected academic realism and launched the new style of the Vienna Secession with his landmark 1898 portrait of Sonja Krups in a flamboyant pink gown, he played on Mackart's portrait of Wolter. The juxtaposition of the two pictures here shows how the young, ambitious portraitist echoed the asymmetrical figure placement and the foil of accompanying flower-bursts which, with the strong, handsome body silhouette, give Sonja a sensuous self-possession rivaling Mackart's classical model.

At the same time, hallmarks of Klimt's revolutionary portraiture - square format, two-dimensional composition, bold, fluent brushwork - are heralded here. One step away was the surface-filling, careening strokes of Pointillism of the Marie Henneberg portrait, then on to the organic "flower fills" in which a woman's body

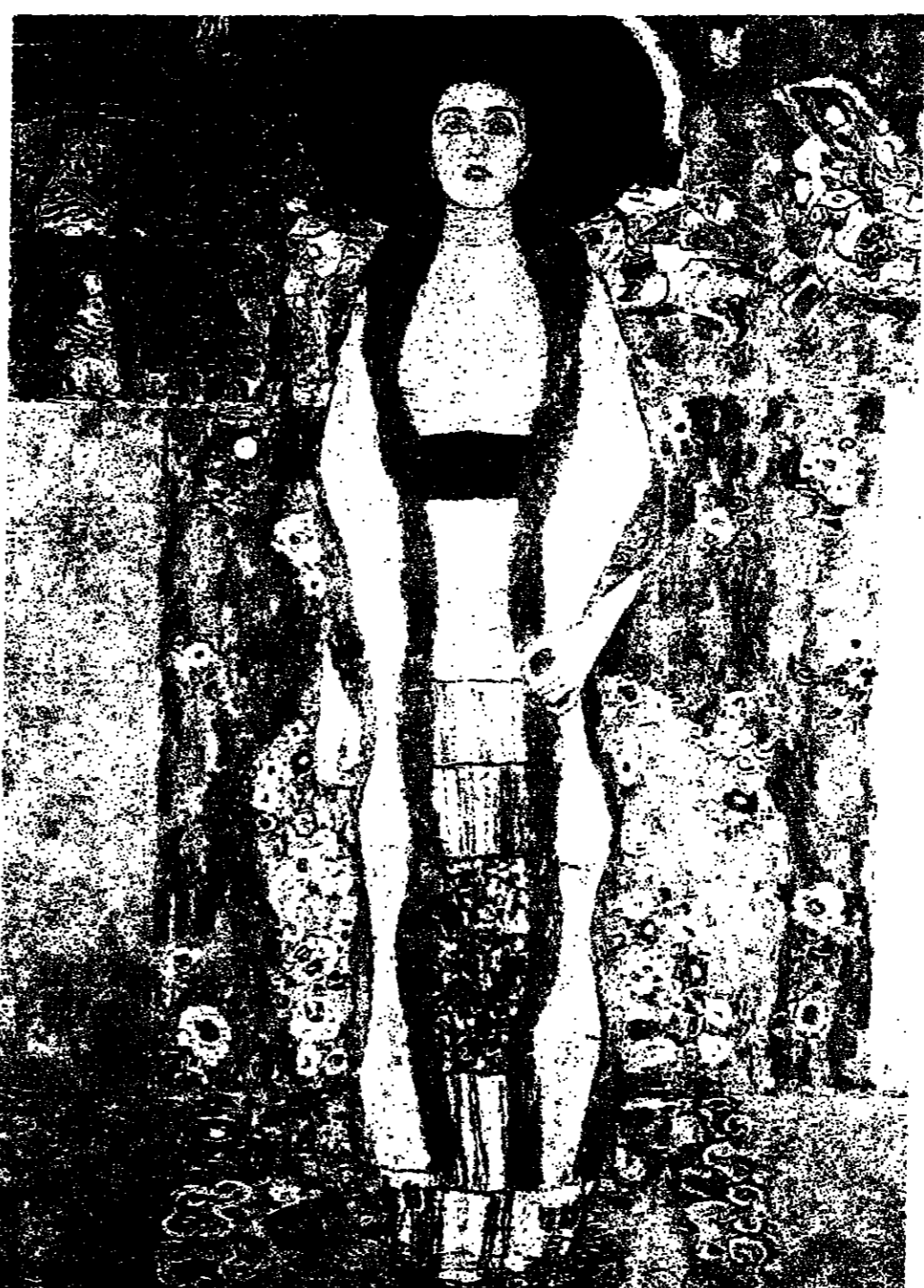
became a foil for a symbolic decorative structure, as in the portraits of Adele Bloch-Bauer. In such pictures, anatomy becomes ornament and vice versa. With their appeal to the unconscious and their opulent impact, they soon had the wives of the nouveau-riche hammering on Klimt's door. His shimmering, voluptuous figures even got explicitly erotic paintings such as "The Kiss", with its gold and silver overlay of erect rectangles and occluded spirals, past the imperial censor.

We see at the Van Gogh Museum a masterly overview of his development as portraitist, culminating in the 1919 study of Johanna Staude, a new, post-war woman, self-aware, intelligent, modern, staring boldly out at us, sporting a fashionable short haircut and black feather boa.

A joy of this show is the sheer diversity of female types. Broncia Koller-Pinell's seated young nude Marietta owes much to Klimt - geometrically constructed background, decorative effects - but the face and posture are uncertain, gauche, vulnerable, rather than provocatively erotic; by the absence of insistent sexuality, she makes you realise how oppressive male depictions of the female nude can be to women. Elena Luksch-Makowsky's self-portrait with her son is another revelation - the artist, in clerical vestments, holds up the boy, crowned with flowers, as a sacrifice against a bloody background, suggesting the threat to her identity from motherhood.

And Richard Gerstl's Fey Sisters is an extraordinary interpretation of the conflicting worlds of experience of two nearly identical sisters, setting the contentment of Karoline against the introverted isolation of Pauline. Both wear full white dresses which turn to grey as sweeps of black background invade them; the contrasting facial expressions make the work an almost schizophrenic study of agony versus calm, despair versus opulence.

Gerstl was one of the young stars of Viennese expressionism, celebrated in the final gallery here. Breaking with the rigid aesthetic beauty of Secessionist art,



Opulent impact, with appeal to the unconscious: 'Adele Bloch-Bauer II', 1912, one of Gustav Klimt's revolutionary portraits using the body as a foil for the symbolic decorative structure

painters such as Kokoschka and Schiele strip sitters of their decorative wrapping and stylised forms to convey their mental states. The 1910 portrait of Eduard Kosmack, a 30-year-old publisher who looks nearer 60, marks Schiele's breakthrough to his own intense, compressed style - Kosmack's hands, placed between his knees, cause his entire body to be squeezed inwards, as if by some central, invisible force, while his eyes fix us with a strange stare which brings the psychological tension to a climax. Schiele's dark picture of Trude Engel, his dentist's daughter, with tight body held in pain, clumsy hands, wild hair and big fearful eyes, is another

study of a disoriented psyche; it was painted in lieu of fees for extractions and fillings.

Most disturbing of all are two self-portraits. Gerstl's "Laughing Self-Portrait" of 1908, painted just before he committed suicide, exudes a furious contempt for the world, and Kokoschka's 1917 self-portrait is a study in exhaustion and loneliness where, martyr-like, he clasps his breast to indicate his wounds in the first world war and his struggle to find identity in the new Europe after it.

"The poets and philosophers before me discovered the unconscious. What I discovered was the scientific method by which the unconscious can be studied",

wrote Freud. Of course self-portraits through the ages have given us glimpses of the inner life - Rembrandt's, for example, what makes *Vermeer 1900* so resonant in our own self-absorbed *fin-de-siècle* is the examination of how, by seeking portraitists who could interpret their imaginative lives rather than merely flatter their vanity or enhance their social status, an entire society came to be fixated on self-analysis and the symbolism of the unconscious.

At the Van Gogh Museum, Amsterdam, until June 15, then at Von der Heydt-Museum, Wuppertal, 13 July-5 October 1997.

## Theatre Shaw's Madame

When watching a British film of the 1940s or 1950s, you are likely at some point to hear the plummy twang. It is the sound of an actor who normally speaks in Received Pronunciation, but is now called upon to adopt a more proletarian accent and can't quite manage it - Stanley Holloway in *Brief Encounter* is a prime example. The phenomenon has now been revived in Alan Strachan's touring production of *Mrs Warren's Profession* at the Richmond Theatre, in which Penelope Keith plays her East End girl turned international madame without quite getting her mouth around the broadened vowels and glottal stops.

But Keith gives an otherwise comfortable performance; a self-confessed vulgarian, her Mrs Warren is brash when called upon, but never downright common. At the real centre of the play, although, is Carolyn Backhouse as her Cambridge-educated daughter Vivie. Backhouse energetically portrays Vivie as a standard Victorian heroine - intelligent, feisty and plain-speaking; although she puts too much of her throat into Vivie's bolder lines, she holds the attention through the young woman's journey of discovering and rejecting her family heritage in order to forge an identity for herself.

Robert Hands, as Vivie's romantic interest Frank Gardner, is on the bland side, although never quite as insipid as his childish lover's talk might suggest. The rest of the cast are cartoons. David Henry as the pompous rector, Denis Lill as the windily selfish baronet, and Charles Kay who appears to be showing some solidarity with Keith's accent by playing Praed as Alastair Sim.

Apart from this sensitive handling of the two central exchanges between Vivie and her mother in Acts Two and Four, Strachan's directorial vision is broad and concerned more with the easy entertainment than the questions which Shaw poses. Put it this way: the keynote of the third act is not so much the revelation of Mrs Warren's business arrangements, or that Vivie or Frank's relationship may be incestuous, as the fact that these take place amid a great deal of topos. Judging by conversations overheard in the interval, to some the play was little more than a genealogical whodunnit.

Ian Shuttleworth

On tour until July 5. Sponsored by Barclays Stage Partners.

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

**CONCERT**  
Concertgebouw Tel: 31-20-6718345  
● Koninklijk Concertgebouworkest: with conductor Mariss Jansons in works by Honegger and Dvorák; May 29

### BARCELONA

**CONCERT**  
Palau de la Música Catalana Tel: 34-3-2681000  
● Philadelphi Orchestra: with conductor Wolfgang Sawallisch in works by Brahms, Schumann and Dvorák; May 29

### COPENHAGEN

**OPERA**  
Det Kongelige Teater - The Royal Theatre Tel: 45-33 68 69 69  
● Der Fliegende Holländer: by Wagner. Conducted by Dietfried Bernet, performed by the Royal Danish Opera. Soloists include

Bent Norup, Stig F. Andersen and Michael Kristensen; May 27

### DUBLIN

**CONCERT**  
National Concert Hall Tel: 353-1-8711888  
● Cora Venus Lunny: performance by the violinist, accompanied by the pianist Deborah Keeler. The programme includes works by Beethoven, Vazquez and Sarasate; May 28

### GLASGOW

**EXHIBITION**  
Hunterian Art Gallery Tel: 44-141-3305431  
● Altered States: The Etching Revival 1850-1929: exhibition surveying the range and popularity of etching in the late 19th and early 20th centuries. The display is drawn from the Museum's own collection and includes works by Whistler, Degas, Sickert, Augustus John, Meyron and Millet; to Aug 23

### LONDON

**CONCERT**  
Barbican Hall Tel: 44-171-6384141  
● English Chamber Orchestra: with conductor Shuntaro Sato and soprano Lesley Garrett in works by Yoshimatsu, Camille and Dvorák; May 28  
● The Kinghorn: by Elgar. Conducted by Sir David Willcocks, performed by the Bach Choir and London Philharmonic

Orchestra. Soloists include soprano Lynne Dawson, contralto Catherine Wyn-Rogers, tenor Neil Jenkins and bass Stephen Roberts; May 29

### EXHIBITION

**Tate Gallery Tel: 44-171-9878000**  
● 1997 Centenary Displays: special display marking the 100th anniversary of the Tate and featuring a number of major works from the Gallery's collection, from Stubbs and Gainsborough to Matisse and Pollock; to Jun 30  
● Whitechapel Art Gallery Tel: 44-171-5227888  
● Cathy de Monchauc: display of work by the British sculptor who uses a wide range of materials, including brass, rusted steel, glass, paper, leather and chalk. The Lower Gallery of the Whitechapel has been transformed by a dramatic installation, described by the artist as "dream architecture"; from May 30 to Jul 27

### MADRID

**CONCERT**  
Fundación Juan March Tel: 34-1-4354240  
● Victor Martin: performance by the violinist, accompanied by the pianist Agustín Serrano. The programme includes works by Brahms; May 28

### EXHIBITION

**Museo Thyssen-Bornemisza Tel: 34-1-4203844**  
● George Grosz. Los años de Berlín, 1915-1932: exhibition focusing on the years the German

Expressionist painter and graphic artist George Grosz (1893-1959) - a founding member of the Berlin Dada group - was working in Berlin. The exhibition features some 20 oil paintings, approximately 100 works on paper, notebooks, illustrated books and other objects; from May 27 to Sep 14

### MUNICH

**OPERA**  
Cuvillies-Theater - Altes Residenztheater Tel: 49-89-296836  
● Carmen: by Bizet. Conducted by Jacques Delacôte, performed by the Bayerische Staatsoper. Soloists include Maurizio Muraro, Caroline Maria Patzig and Anne Salvan; to Jun 2

### NEW YORK

**DANCE**  
New York State Theater Tel: 1-212-875-5570  
● La Stravaganza: choreographed by Angelin Preljocaj to music by Vivaldi, Puccini, Normandean, Morand and Pamelud, performed by the New York City Ballet; May 29

### EXHIBITION

**International Center of Photography Tel: 1-212-860-1777**  
● Lauren Greenfield: display of 50 photographs examining the impact of Hollywood on young people in Los Angeles, exposing a generation motivated by materialism, obsessed with fame and the life in the fast lane;

to Jul 13  
Solomon R. Guggenheim Museum Tel: 1-212-423-3800  
● A Century of Sculpture: The Nasher Collection: masterpieces of 19th and 20th century sculpture drawn from the collection formed by Patsy and Raymond Nasher; to Jun 1  
The Metropolitan Museum of Art Tel: 1-212-979-5500  
● The Iris and B. Gerald Cantor Roof Garden: special open-air display of 20th century sculpture from the Museum's collection, installed in a roof-garden which offers some spectacular views of Central Park and the New York City skyline; to Oct 30

### PARIS

**DANCE**  
Théâtre de la Ville Tel: 33-1 42 74 22 77  
● The Land of Rape and Honey: choreographed by Liat Dor and Nir Ben Gal to music by Cohen, performed by the Liat Dor & Nir Ben Gal Company; May 29, 30, 31; Jun 1

### EXHIBITION

**Galerie Nationales du Grand Palais Tel: 33-1 44 13 17 17**  
● Paris-Bruxelles/Bruxelles-Paris: exhibition focusing on the artistic relation and exchange between Belgium and France from 1848 to 1914. Attention is paid to both visual and decorative arts, architecture, literature and music, ranging in styles from Realism and Impressionism to Symbolism and Art Nouveau; to Jul 14  
Musée d'Orsay Tel: 33-1 40 49 48 14

● Emile Verhaeren: un musée Imaginaire: exhibition jointly organised by the Musée d'Orsay and the Musée de la Littérature de Bruxelles, examining the life and times of art critic Verhaeren. On display are a number of paintings, sculptures, drawings and engravings by artists Verhaeren championed, including Redon and Ensor; to Jul 14

### ROTTERDAM

**EXHIBITION**  
Kunsthal Tel: 31-10-4400301  
● Mondriaan uit de collectie Haags Gemeentemuseum: display of more than 150 paintings, watercolours and drawings completed by the Dutch artist before 1920; to Jun 8

### VIENNA

**CONCERT**  
Konzerthaus Tel: 43-1-7121211  
● Die Winterreise: by Schubert. Conducted by Sylvain Cambreling, performed by Klangforum Wien. Soloists include tenor Christoph Prégardien; May 28  
Musikverein Tel: 43-1-5058881  
● Yumiko Samejima: performance by the soprano, accompanied by the pianist Helmut Deutsch. The programme includes works by Schubert; May 28

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Philip Stephens

## Still in the game

Tony Blair has made it clear that the UK is ready to strike a bargain with its fellow European Union members

Not so long ago it was said the new European Union treaty due for signature in Amsterdam next month would be a seminal moment. The rewriting of the Maastricht accord would prepare Europe for the great leap eastwards, for a Union of 25 instead of 15. And it would add an essential political dimension to the economic enterprise of the single currency. For Britain, the treaty would mark the fork in the road between engagement and eventual withdrawal.

Forget it. As Tony Blair discovered during his first experience of European summitry at the gentle Dutch coastal resort of Noordwijk, neither analysis nor bears even cursory examination. His landslide election transformed the politics of Europe in Britain. But the mood has changed, too, elsewhere. Leaders who once spoke with grandiose ambition of Maastricht 2 are now searching for the lowest common denominator for an agreement.

No one should be surprised that the British prime minister was fêted at the Noordwijk gathering. Politicians have an instinctive respect for colleagues who have just won elections. And a victory on the crushing scale of New Labour's generates a correspondingly warm, and inquisitive, response.

Less widely noticed was the subtle impact of Mr Blair's fresh-faced youth - he is just a few weeks past his 44th birthday. Helmut Kohl and Jacques Chirac, representatives of a passing generation and of an era when leadership was the preserve of late middle age, came face to face with a disconcerting future.

By and large, Mr Blair handled himself well. There was a touch of gaucheness about his remark that his summit reception mirrored the one he had received from the British electorate.

The soundbites - after New Labour, New Britain comes New Millennium, New Europe - carry the echo of opposition. After three weeks in 10 Downing Street, Mr Blair has not got the tone quite right. When you are prime minister, understatement can be as effective as braggadocio.

Some heard a jarring note too in Mr Blair's Thatcherite rhetoric on labour market flexibility and competitiveness. But, if the Anglo-Saxon model will always fall hard on continental ears, he is right to judge the tide has turned against the Delors' vision of a social Europe.

And the substance in Mr Blair's message was that, save for a non-negotiable bottom line on border controls, immigration and defence issues, Britain is ready to strike a bargain in Amsterdam.

Though it seems hard to credit at this short distance from the election, if John Major had been returned to office even this minimalist package would have triggered a crisis. In their introspective obsession with national sovereignty, the Conservatives had elevated the draft treaty into a frontal assault on the nation state.

Mr Blair's parliamentary majority renders such paranoias.

Kohl and Chirac have decided that prolonged wrangling over a new treaty must not get in the way of the grand design for a single currency

noia powerless. No doubt the Conservative rump at Westminster will oppose any document he signs, which in itself will be an important moment for the party which took Britain into Europe. But for now the nation has tired of the Eurosceptics. There is potent symbolism in the fact that at the moment the prime minister is negotiating in Amsterdam, the Tories will be electing a new leader.

The other fortuitous coincidence lies in the decision of Messrs Kohl and Chirac to lower their sights. Prolonged wrangling over a new treaty, they have decided, must not get in the way of the grand design for a single currency. As one foreign minister told me, it is time for the caravan to move on. Soon.

Mr Kohl once harboured great hopes for Maastricht 2. Now his preoccupation is with ensuring that economic and monetary union begins on schedule in January 1999. Mr Chirac, fingers crossed he will preserve a small majority in the French elections, shares the anxiety about expending too much political capital in public wrangling over Europe's institutions.

In this, the small state of Denmark is playing a vital restraining role. The government of Poul Nyrup Rasmussen has warned that anything bearing the label of political union will require a referendum. Memories of 1992 - when the Danes' initial rejection of Maastricht unnerved the currency markets and provoked a crisis in the exchange rate mechanism - are fresh in European minds. There is no appetite for a repeat performance ahead of Emu.

So the Amsterdam summit will settle for a modest package. There will be enough institutional reform for a first phase of enlargement to admit the Czech

Republic, Poland and Hungary. The treaty will give a European dimension to the basic rights of the citizen. Tighter foreign policy and defence co-operation will provide for a distinctive EU role in peacekeeping and humanitarian operations. And an opt-out for Britain, Ireland and Denmark will allow others to begin dismantling national border and immigration controls.

More important will be a deal on a so-called flexibility clause allowing future integration to proceed at a variable pace. In years ahead, this will challenge Mr Blair's real intentions as to Britain's role. But it is within the wit of the Foreign Office to finesse the immediate awkwardness.

Lady Thatcher, who we learn has been one of the early visitors to Mr Blair's Downing Street, will not take quite such a sanguine view. She lives still in the days when she danced with Ronald Reagan on the world stage. But she never understood the mutual dependency in Britain's relations with Europe and the US.

I suspect (or at least hope) Mr Blair's invitation had more to do with his determination to break with the old tribalism of British politics than to the wisdom of the Lady's judgments on foreign affairs. As President Bill Clinton will remind his host when he visits Downing Street later this week, Britain comes in Washington largely to the extent it has clout in Europe. Herein lies the significance of Mr Blair's first foray across the Channel. He has kept Britain in the game. He should not be misled by the plaudits in Noordwijk. Emu is now about as close as it can get to a certainty. It will transform the politics as well as the economics of Europe. Standing aside, Mr Blair will not find it quite as easy to learn the rules of an altogether tougher game.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 8HE

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## Cost and competence are key factors in changing City regulatory structure

From Mr Lynton Jones

Sir, Peter Martin fears that the new super-SIB is in danger of turning into Dr Frankenstein's monster ("Birth of Brown's brainchild", May 23). Let us hope that one such creature roaming the streets of the City will be easier to manage and cheaper to feed than the several that exist today.

One of the principal advantages that should stem from the proposed change, and which featured nowhere in Peter Martin's article (but which was highlighted in the Chancellor's statement) is the potential saving in the cost of regulation. Before the election Labour MPs who were then shadowing City affairs were talking about changes on the lines now being proposed resulting in cost reductions in the region of 15 to 20 per cent in the overall cost of regulation.

It is of the utmost importance that this objective is not lost sight of in the forthcoming reorganisation. A main concern of investment exchanges and their members is the seemingly inexorable rise in regulatory costs. Member firms of investment exchanges face a double whammy - in addition to having to bear the cost of membership of the Securities and Futures Authority they have to pick up the cost of their investment exchange has to pay to SIB for being regulated by it.

Combining the self-regulatory organisations with SIB should not, as the governor once said, simply result in changing the brass plates on the doors, but should be used as a very serious opportunity to reduce significantly the cost to the industry of regulation.

Lynton Jones, chief executive, The International Petroleum Exchange of London, International House, 1 St Katharine's Way, London E1 9UN, UK

From Mr David W. Clark  
Sir, Your leader on the "super-SIB" (May 21) congratulates the UK Chancellor on his regulatory reform initiative. While few would disagree with your comments on the present bureaucracy and infrastructure in respect of the retail sector and the need for modernisation, many in the wholesale and international banking world are concerned that the baby may be thrown out with the bath water.

The clear distinction you refer to between the retail and wholesale sectors goes much deeper than the squabbles between SIB and the SROs and the overlapping of financial products. Since the publication of the Barings report and the consultancy work done by Arthur Andersen, the Bank has initiated its own reform of supervisory techniques and objectives that relate specifically to the professional banking sector. These focus on complex risk and market-related issues that emerge from the high-profile accidents of recent times, especially in derivative products and their pricing and reporting.

This has little to do with the retail sector, with which the government is rightly concerned, but everything to do with strengthening the banking sector's ability to handle new and sophisticated instruments used

mainly by professionals. These efforts play a significant role in enhancing the City's reputation in an international field it must fight its corner for, and it is not obvious that the skills currently being built up in the Bank can be replicated outside a banking environment.

Banking supervision, especially in the City which plays host to so many foreign banks, serves an entirely different community to those selling pensions and other domestic financial services, and impacts on the way international financial markets work. As legislation is prepared for building a modern regulatory environment for UK financial services under the auspices of SIB, perhaps the Chancellor might ponder again on whether he would serve that sector better by treating it as a specific industry and in doing so separately promote the prudential strength and international competence of the banking sector by leaving banking supervision where it needs to be - close to the banks, and in the Bank of England.

David W. Clark, executive general manager, Bank Gesellschaft Berlin, 1 Crown Court, Chesham, London EC2V 6JP, UK

From Mr John Arrowsmith  
Sir, The Bank of England is being made to pay a high price for its acquisition of operational responsibility for interest rates. Separation of responsibility for monetary policy from other key functions such as financial supervision and government funding and debt management may be justified on two grounds: avoiding a conflict of policy interests and preventing concentration of too much power in one non-elected body. But this presupposes the central bank has sole responsibility for monetary policy. If that were what the Bank was being offered, there should be proper debate about the constitutional implications and the framework for democratic accountability. What the Chancellor is ceding to the Bank, however, may have more form than substance.

The Chancellor alone will set and change the Bank's inflation objective and the four outside members of the monetary policy committee will be appointed entirely at his discretion. With the appointment of two deputy governors this year and the

expiry of the present terms of the governor and the executive director responsible for monetary policy operations next year, he will be able within the next 12 months to secure the appointment of eight of the nine committee members. Six of the nine can then be replaced on a rolling basis every three years. This is a far cry from independence within the meaning of the Maastricht treaty; further institutional upheaval would be required if the government were to decide at some point to take part in monetary union.

It may yet be that the Chancellor will stick resolutely to a firm inflation target and that he will pack the monetary policy committee with people noted for their independence. If not, the governor may have acquired, instead of what he has often called the poisoned chalice, a mess of pottage.

John Arrowsmith, senior research fellow, National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, London SW1P 3HE, UK

From Mr Wynne Godley and Mr John Wells  
Sir, If the British economy is to sustain growth in the medium term, personal consumption must now be held in check so that interest rates and the exchange rate can come down. In the absence of new controls over credit, taxes in the Budget should probably rise by £10bn (£16bn) or more.

But even if the Chancellor were to raise taxes on this scale, suppose the Bank still felt threatened by inflation and put up interest rates, causing sterling to rise further. Who would be responsible for the ensuing recession? How and by whom would it be brought to an end?

It is not true that central bank independence has always been a success in the countries where it has been tried. For instance, US fiscal and monetary policy pulled in opposite directions during the Reagan/Volcker years, seriously unbalancing the economy with consequences that still persist.

Wynne Godley, John Wells, Jerome Levy Institute and Faculty of Economics, Cambridge University, Sidgwick Avenue, Cambridge CB3 9DD, UK

## Benefits of Boeing deal

From Mr Harvey M. Sapolsky

Sir, Boeing's acquisition of McDonnell Douglas should be praised rather than challenged as the EU has done ("EU could outlaw Boeing merger", May 19).

There are domestic as well as international benefits in the deal. Boeing in effect removes one aircraft manufacturer from the vastly oversized US military aircraft industry with the potential of reducing producer demands for work. Commercially, the Boeing-McDonnell combination will likely force increased rationalisation of the Airbus Consortium, strengthening its competitive position.

No one should believe that Boeing's commercial strength comes from US government subsidies. Its military and space orders are limited or focused on special technologies. Fallen commercial rivals like McDonnell Douglas and Lockheed have much larger involvement in the military transport business. Airbus partners are much more linked to government subsidies than is Boeing.

Harvey M. Sapolsky, Massachusetts Institute of Technology, Cambridge, Massachusetts 02139, US

## Rules felt to be rigged

From Ms Lucy Shiels

Sir, I read with interest that a single regulatory body will help the EU government "to stop the EU from rigging the rules in order to reduce London's market share in European finance after Emu" (Letters, May 22).

The recent dismissal of the German government's action against the directive on deposit guarantee schemes by the European Court of Justice has no doubt caused the German government to feel that the EU is also rigging the rules to reduce Germany's market share in European finance after Emu. Is this not a case of the grass always being greener on the other side?

Lucy Shiels, Schumannstrasse 49, 60325 Frankfurt, Germany

## Optimistic prospects

From Mr Owen Cylke

Sir, Jeffrey Garten paints a discouraging picture of the prospects for the emerging world in his Personal View (May 21). There is a more promising prospect. Over the next 20 years, the modernising economies of east Asia, Latin America and eastern Europe will install up to 80 per cent of the industrial capacity they will have in the year 2010. Think of it: existing industrial plant will represent only 20 per cent of total industrial output in the emerging markets and, by the year 2020, less than 10 per cent. What a prospect to build on.

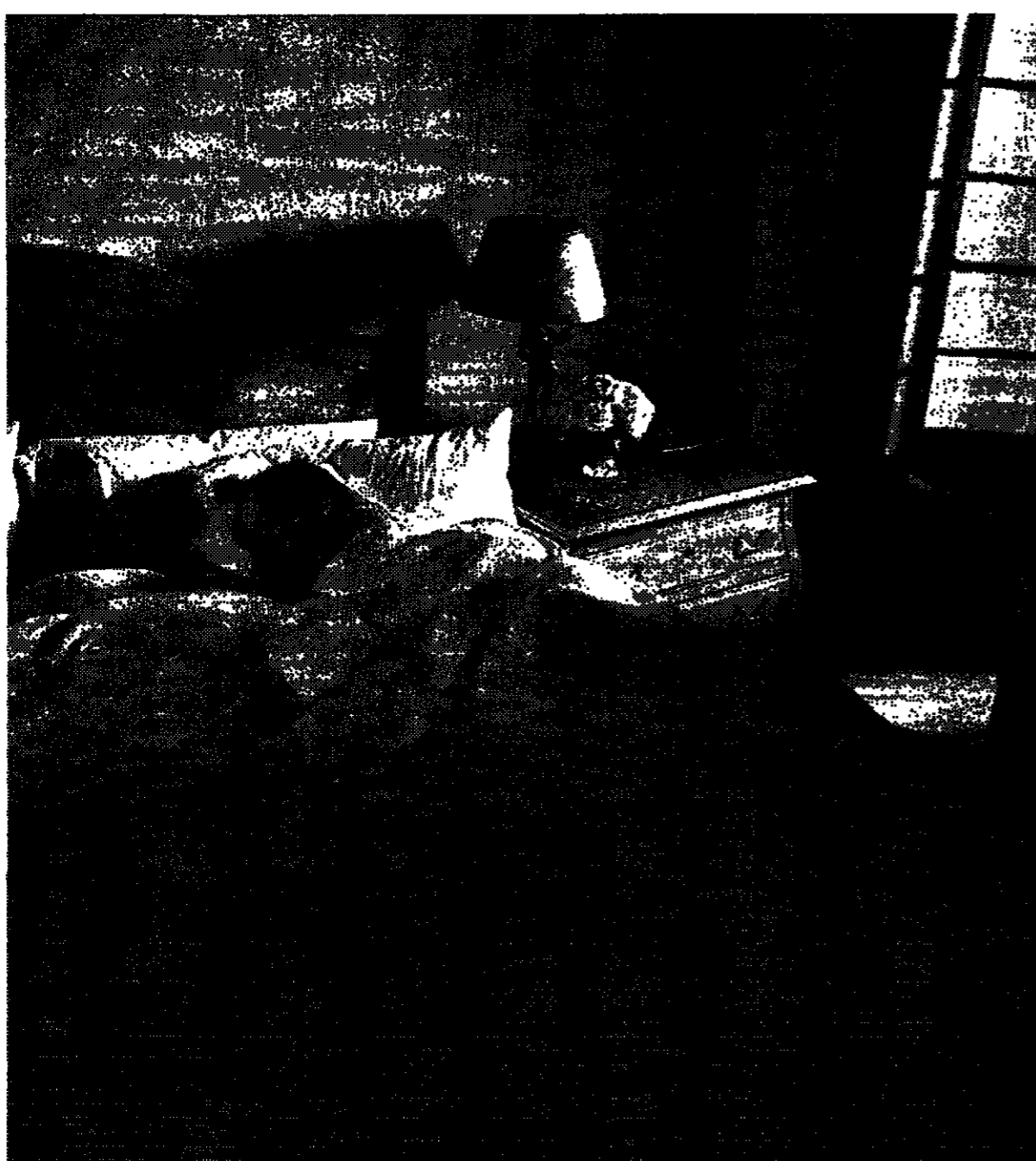
Mr Garten's global companies are already largely transformed in terms of economic, social and ecological values. International standards and norms, built on these important values, are beginning to override claims of national or regional, even corporate, singularity. Indeed, the forces of globalisation, liberalisation and integration are transmitting these standards, norms and values to the farthest corners and smallest enterprises of the world.

Even the most powerful companies and states find the marketplace and international public opinion compelling them more often than not to follow a particular course - increasingly reflecting these new standards and norms. The almost giddy reaction to ISO 14000 in emerging markets is one promising example from this fundamental redistribution of power among states, markets and civil society.

Perhaps we need to be wary of blind optimism, but there is no reason for pessimism.

Owen Cylke, senior adviser to the US-Asia Environmental Partnership, Winrock International, Washington, D.C., US

## "Cancel the warm milk. I don't think I'll need it."

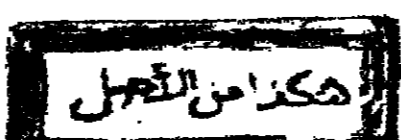


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## COMMENT &amp; ANALYSIS

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Monday May 26 1997

## Let the buyer beware

Electronic trading is transforming the securities markets – and the way that they are regulated. In a paper published over the weekend, the Securities and Exchange Commission says it is contemplating the biggest change in the way it regulates US stock exchanges since it was set up in 1934. To meet the challenge, it has come up with one good idea, and a big leaf.

Its starting point is the growth of electronic trading systems, such as Instinet, as an alternative to traditional exchanges. There are already more than 20 such systems competing for orders with established US markets, and their combined trading volume is over one and a half times that of the American Stock Exchange and all the regional exchanges combined.

The SEC recognises, rightly, the benefits which investors have already received from the development of innovative electronic systems. And it wants them to be allowed to compete fairly with the established exchanges.

At present, these alternative markets can take part in the national market system only under terms set by the registered exchanges with which they compete. The best way round this would be to set up a tiered framework of regulation. Smaller markets would be subjected only to limited disclosure requirements. The second tier would take in the largest

alternative trading systems, which would probably have to take on some regulatory responsibilities. The top level would cover the big exchanges already registered with the SEC.

But while that would represent a big step in the domestic market, the growth in electronic cross-border trading is another issue. The problem is that the internet is killing those rule-books which have depended on information flows being contained within national borders, and channelled through a small number of intermediaries. When it is as easy to dial up Bangkok as Brooklyn, old-fashioned regulators have a problem.

The SEC's favoured idea for dealing with electronic cross-border trading is less impressive. This would set up a regulatory framework to cover the US activities of those entities that provide US investors with direct access to a foreign market. But in an era of electronic commerce, attempts to funnel business through officially approved intermediaries seem doomed to failure.

The SEC has always resisted the notion that investors should be allowed to make up their own minds about whether they are going to be taken for a ride. Of course, there is much work to be done in international co-operation to deal with crooks. But coming to terms with the principle of  *caveat emptor*  may be the biggest change which the SEC now has to contemplate.

## A wise warning

For six years the European Bank for Reconstruction and Development has struggled, with some success, to attract foreign capital and investment to the former communist economies. Last week, however, Mr Jacques de Larosière, the bank's president, sounded a note of warning. He cautioned would-be lenders and investors to look more carefully at the risks involved in investing in this complex region.

The warning should be taken seriously, especially coming from a man who, as former managing director of the IMF, dealt with the Latin American debt crisis of the 1980s. He sees parallels in the emerging markets of eastern Europe today. There are certainly signs that in their search for higher-yielding assets, some lenders are not demanding sufficiently stringent conditions from often inexperienced borrowers. Rising corporate lending has been accompanied by a rash of sovereign, municipal and corporate bond issues at ever tighter rates in recent months.

The EBRD's concern could be construed as sour grapes. Seeing bank officials have become increasingly frustrated as carefully constructed deals, sometimes on the point of signature, have been snatched by commercial banks offering cheaper terms and easier conditions. Critics claim this is because the

bank is too slow in reaching decisions, and too expensive.

This might sometimes be the case. But recent events have given ample warning that investors in this region carry significant risks. Albania may be an extreme case, but Bulgaria only just avoided a systemic collapse of the banking system recently. The Czech Republic, which two years ago was widely seen as a reform success story, is currently facing a run on the currency. As for countries in the former Soviet Union, their economic reform remains patchy and corporate governance inadequate.

Foreign investors have so far been able to cherry-pick the best companies or lend to countries, such as Hungary, which have been able to offer the greatest legal and institutional comfort. But high liquidity in international markets means that lenders are going for more obscure regions and companies in the search for higher yields.

There is a yawning gap between the best and the average in the former communist world. The EBRD is the biggest and most experienced investor in the region. It is obliged by the terms of its charter to observe sound banking principles and to apply due diligence. It is right to point out that the risks rise strongly off the beaten track. Private investors would do well to heed its advice.

## Regional pitfalls

The UK's new Labour government has lost no time in pushing forward its proposals for regional development agencies. The idea is broadly supported by many business people in the regions and by local authorities. But careful thought is now needed on how the agencies will operate during the consultation period before legislation this autumn.

The Conservative government's centralising tendencies and fierce resistance to regional government produced a paradox: a flowering of local entrepreneurial activity aimed at local and regional economic development.

New partnerships between business, industry, local authorities and the voluntary sector have grown up – notably in the north-east and north-west. The partnerships were born of frustration with London's lack of local knowledge. Businessmen were also alarmed by the lack of regional voices in Brussels.

These informal groupings were fostered by the one decentralising gesture which the Conservatives did make – the creation of government offices for the regions in the regions. They were further strengthened by the bidding system for government and EU subsidies for urban regeneration.

The new agencies must be designed to preserve the best out of these alliances. They will

also need to provide a sharper focus to the plethora of bodies which now have a stake in economic regeneration: chambers of commerce, Training and Enterprise Councils, Business Links, local authorities, English Partnerships and the government offices for the regions.

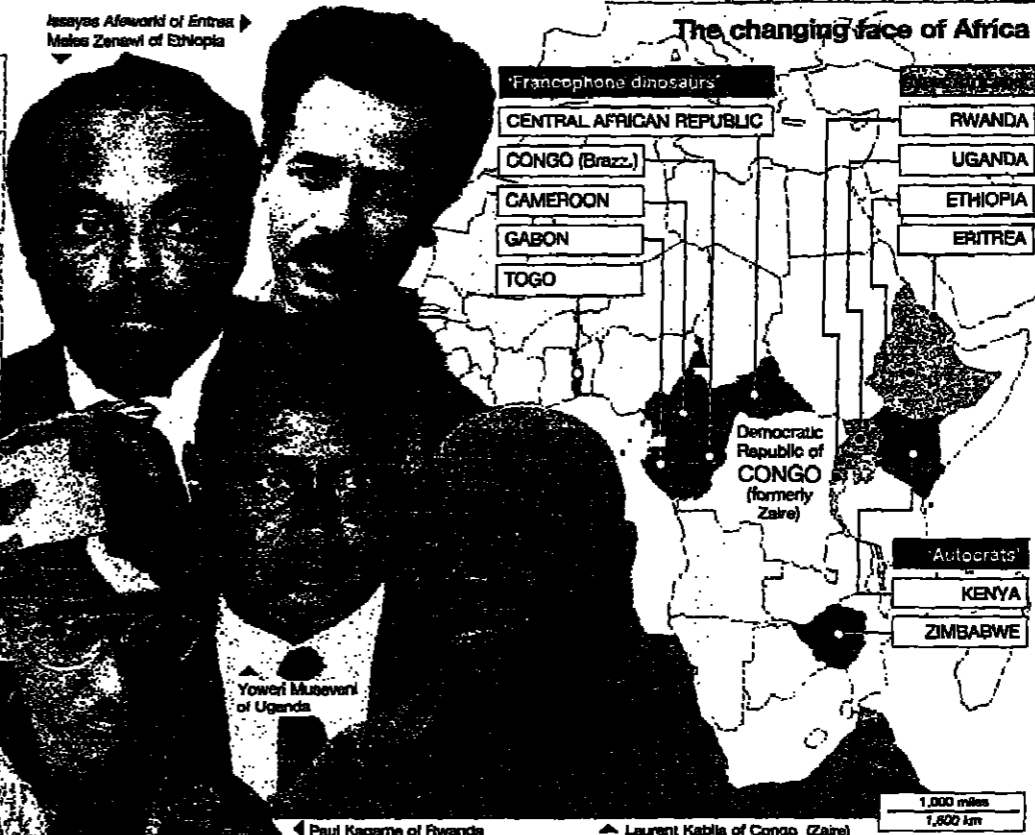
They must avoid becoming another bureaucratic tier, which would prevent local enterprises from thinking for themselves. In promoting inward investment, the agencies must not encourage an increase in job subsidy bidding wars between regions for foreign direct investment. The battle between Wales and Scotland over the LG plant provides a lesson of what to avoid.

A further complication will be the relationship between the agencies and the regional chambers of commerce which the government is establishing as a possible precursor for full regional government. This idea is much favoured in the north-east and extreme south-west, but arouses little enthusiasm elsewhere. With the government offices for the regions set to remain, the new agencies on the scene, and non-statutory chambers of commerce becoming more active, the stage could be set for a tussle more about political control than economic development. Careful scripting will be required to avoid these dangers.

### Congo: mapping out a new future?



Issayas Afewerki of Eritrea  
Meles Zenawi of Ethiopia



## Ripples of a revolution

The rebel victory in the former Zaire has implications for the whole of Africa, write Michael Holman and Michela Wrong

It may go down as the start of Africa's second liberation. The rebel takeover that transformed Zaire into the Democratic Republic of Congo and dispatched President Mobutu Sese Seko into exile is reverberating across the continent and beyond. The prospect that a country nearly the size of western Europe now has the chance to recover its position as one of the world's leading producers of cobalt, copper, diamonds and coffee is dramatic enough.

But the victory of Mr Laurent Kabila, Congo's new president, represents much more. He is the beneficiary of a new nationalism at work on the continent. A determined handful of leaders is challenging the orthodoxies that moulded post-colonial Africa, inspiring opposition parties through the region, from the ancient regimes of francophone Africa to the autocratic governments of Kenya and Zimbabwe.

The implications of the collapse of Zaire's regime – possibly the most important event in Africa's post-colonial history after the dismantling of apartheid in South Africa – go still further. It also marks the start of a new, more assertive, relationship with the western governments and aid agencies.

"They will have to come to terms with a more confident generation of African leaders determined to apply African solutions to African problems," says Ms Rakiya Omar of Africa Rights, the independent London-based body that monitors political developments on the continent.

At the core of these "new Africans" are the men who helped bring Mr Kabila to power: President Yoweri Museveni of Uganda, who led a guerrilla campaign to overthrow Milton Obote in 1980, and General Paul Kagame, Rwanda's military chief, who joined him in providing covert military assistance to Mr Kabila's rebel forces.

Moral support came from President Issayas Afewerki, who led Eritrea to independence after a 30-year war with neighbouring

Ethiopia; and Mr Meles Zenawi of Ethiopia, whose forces helped topple Mengistu Haile Mariam.

Self-assured and well educated, indebted neither to Washington nor Moscow, they are unencumbered by the inferiority complexes that burdened a generation of post-colonial politicians.

The leftist ideology of their youth has been replaced by economic pragmatism, courting foreign investors and privatising state-owned companies. They challenge what they see as the imposition of western models of democracy in return for aid – though they accept the need for representative government. They are scathing in their assessment of the Organisation of African Unity, arguing that it has been ineffectual in its efforts to resolve conflicts and promote development. And they expect greater accountability from foreign non-government organisations, which they charge with exercising power without responsibility.

Together with President Jose Eduardo dos Santos of Angola, who gave military and logistical support to the rebels, it was these men whose influence was decisive as western governments attempted to shape the outcome of the final phase of Mr Kabila's advance on Kinshasa.

Time and again, the US and France were rebuffed, while South Africa – trying to bridge the gap between Mr Kabila's backers and the west – was equally unsuccessful in trying to divert the rebel leader from his objective: the unconditional surrender of Mr Mobutu. The days when western powers, particularly France, were able to control events may be gone forever.

Meanwhile, UN and foreign aid agencies were being given equally short shrift as they complained about lack of access to tens of thousands of Rwandan refugees in eastern Zaire, whose ranks include the armed Hutu militia responsible for the Rwanda genocide of 1994.

Aid had to take second place to security, said the rebels, bluntly rejecting pleas for better access to the refugee camps. It was a

profound shock for the influential agencies, accustomed to being deferred to. "For the first time in their history, the humanitarian imperialism of the UN agencies and the NGOs has been stopped in its tracks," says Ms Omar.

"The west no longer has a clear strategy on Africa," argues one of President Museveni's advisers. The combination of the end of the cold war and the continent's economic marginalisation has led to the disengagement of Washington, London and Paris. The implications are profound, he says, particularly for francophone Africa.

The regional meeting in Libreville, Gabon, that was staged in the closing days of Mobutu's regime – nicknamed the "dinosaurs' summit" – was a who's who of sclerotic regimes with reason to fear the likes of Mr Kabila. Gabon, Cameroon, Togo and the Central African Republic all have autocratic leaders heavily dependent on French support – political, military or financial – to rein in their restive populations and stay in the saddle.

For them, France's failure to save Mr Mobutu, coming so soon after the loss of French influence in Rwanda, sounds like the tolling of the bell. For some, such as Congo (Brazzaville) or the Central African Republic, that abandonment by Paris comes when they are also facing security problems triggered by the Zairean crisis.

The former French Congo, now ruled from Brazzaville, is a tiny nation of 3m people whose government's hold on power is fragile, now risks being destabilised by the influx of Mobutu supporters. Zairean presidential guards and former Rwandan soldiers who crossed the river as Kinshasa fell.

Central Africa is also being flooded by members of the equatorial tribes once loyal to Mr Mobutu, fleeing the advancing rebels. Just as Rwanda's civil war finally dragged Zaire in its wake, Zaire's uprising could

eventually spill over into its northern neighbours.

The rumblings could be felt even further afield. The military regime in Sudan, waging war against southern-based rebels, could be next in line. Uganda, Eritrea and Ethiopia are already backing Mr John Garang's Sudan People's Liberation Army.

Kenya, for so long Britain's most-favoured ex-colony in Africa, is another whose government must be looking anxiously over its shoulder. While President Daniel arap Moi is no Mr Mobutu, danger signals include wide-ranging official corruption and high unemployment.

The speed with which Nairobi, which had resolutely snubbed Mr Kabila, rushed to recognise the new regime in Kinshasa indicates the level of nervousness there.

In Zimbabwe, there is growing discontent over increasing corruption and also the heavy-handed methods of President Robert Mugabe, now in his 70s, but showing no signs of willingness to hand over to a younger generation of politicians.

These countries will be feeling particularly vulnerable as they register the advantages Mr Kabila's African allies have accrued as a result of the rebel takeover.

Uganda, Rwanda and Burundi are all beneficiaries of the overthrow they helped initiate, having dispersed the rebel groups that preyed on their borders. In Rwanda, though, that gain is offset by the security problems it has brought within its frontiers, along with hundreds of thousands of returning refugees.

In Angola, President Dos Santos is already taking advantage of the new dispensation. In the last few days he has ordered government troops into areas held by his old rival, Mr Jonas Savimbi, the Unita leader. Unita has now lost its rear bases in Zaire, which Mr Mobutu has been providing ever since the Angolan civil war began in the mid-1970s.

Stability in Angola should pave the way for the rehabilitation of the Benguela railway, which links the Angolan port of Lobito with copper mines in southern

Zaire and northern Zambia.

But this is only a small part of the movement for regional co-operation, embracing central and southern Africa, that a well-run Congo could trigger. One of the first steps the new government is expected to take is to apply for membership of the Southern African Development Community, the 12-country group established in 1980, as well as play a greater role in efforts to increase economic co-operation in east Africa.

Eskom, South Africa's national electricity utility, has already drawn up a blueprint which links all the countries of the region into a network of powerlines reaching as far north as the Inga dam on the Congo river. The plan is to harness the huge hydroelectric potential of the region's rivers, including the Zambezi, to produce some of the cheapest power in the world.

But the critical factor will be the performance of Mr Kabila, already under criticism at home and abroad for his domineering style and treatment of the Rwandan refugees. If he models himself on Mr Museveni, however, building a broad-based political coalition and implementing the reforms that helped Uganda rebuild an economy devastated by war and mismanagement, the great mineral and agricultural potential of the country could be realised. Like Mr Museveni, he is likely to drop the Marxist values that shaped him in the 1960s and come to terms with the market forces that drive today's globalised economy.

This would in turn bring closer Mr Museveni's objective: regional economic integration, which he has said "could eventually lead to political union of east and central Africa".

But should Mr Kabila fail, the consequences would be profound. The continued collapse of Congo would deal a devastating blow to hopes for the region. Above all it would demonstrate that, in the search for an African solution to Africa's ills, Mr Museveni and his allies have bitten off more than they can chew.

## OBSERVER

### Trouble brewing

■ Meyer Kahn, just appointed the first civilian boss of South Africa's beleaguered police service, is used to getting his own way. Known to colleagues as "the big fish from Berlin", the boy from Berlin, the renegade north-western town where his parents settled after emigrating from Lithuania – he loves a good scrap.

He is also fanatical about the job in hand. "Everyone should drink beer," he says, in his role as chairman of South African Breweries, the world's fourth largest. "I even resent the milk on my children's cornflakes."

His determination will be tested in his new job, and not just because he is the first Jewish head of a force in which anti-Semitism has always been strong. The 57-year-old industrialist will pit his skills against the criminal syndicates whose grip on the new South Africa rivals Colombia and Russia. Even among the force's elite 1,900-strong VIP protection unit, crime is rampant. Nearly 200 face criminal charges, including murder, rape, kidnapping and armed robbery, and 120 have criminal records.

Kahn's decision to name his police in the South African corporate world, though they

have long grumbled that the police should be run in a more business-like manner. He will remain on the board of SAB, and friends say he is likely to donate his police salary to charity. Unlike South Africa's abysmally paid cops, Kahn will not feel the loss of the cash dispenser which was until recently a handy facility on the fourth floor of the grim police headquarters in Pretoria. It was stolen, from right under their noses.

### Bank in credit

■ Foreign investors return to Poland's 127-year-old Bank Handlowy today for the first time since the second world war, taking up to 43 per cent of the stock as the bank's privatisation gets under way. Handlowy is no stranger to close relations with foreign banks – before the war Banca Commerciale Italiana and the defunct British Overseas Bank were both shareholders. After 1945 it specialised in foreign trade transactions and in the 1970s acted as the agent for the government as Poland ran up its \$30bn debt.

But there is one foreign bank which claims an affectionate place in Handlowy's corporate memory. It happened during the terrible occupation of Warsaw by the Nazis, who decreed in 1942 that the Polish banking

industry would be disbanded: the juicy bits would be merged into German banks, other banks would close.

Accordingly a representative of Deutsche Bank, chosen by the German government to take over Handlowy, arrived in Warsaw – and informed the awkward management that Deutsche did not agree with its government's position. To keep the authorities happy, Deutsche would install an "observer" and this presented "no threat to the Handlowy".

The Handlowy's official history records that the observer did indeed do nothing. The bank survived, only to be nationalised under the Soviet-imposed postwar regime.

### Film fun

■ Rod Tidwell, the garrulous American footballer played by Cuba Gooding Jr in the film *Jerry Maguire*, didn't know how wrong he was when he employed some choice Anglo-Saxon terminology about sportswear maker Reebok, and added: "All they do is ignore me."

Reebok was paying enough attention to bring a \$100m lawsuit against Tri-Star Pictures, the film's makers, for breach of contract. Reebok says Tidwell was supposed to land a Reebok endorsement contract at the end of the film. The scene was

apparently shot, but ended up on the cutting room floor.

By the time Reebok found out, it had already launched a promotion tied to the footballer – a wide receiver, since you ask. It was too late to stop the promotion, says Reebok, although it did drop a television commercial featuring Gooding, who won an Oscar for his performance in the film. The case is coming in August to a courtroom near you, if you happen to live in Los Angeles.

### Beating time

■ If everyone at Daimler-Benz is singing the same tune after the upheaval which saw former Mercedes boss Helmut Werner head for the exit and the carmaker fully absorbed into the parent company, they're doing better than the entertainers at the opening of the group's new factory in Alabama.

The dancers and singers appeared to be having some trouble keeping time to the toe-tapping ditties written for the occasion. Understandably, the authors had mentioned Mercedes quite a lot, but the three-syllable word had to be thrown out and replaced with two-syllable Daimler at the last minute. Hope Mercedes is fitting into the group better than Daimler filled the gaps in the otherwise catchy tunes.

### Financial Times

#### 100 years ago

Discovery Of Petroleum Wells The Amsterdam Stock Exchange is celebrated chiefly for its remarkable skill in buying American Rails at the top and selling them at the bottom. Apart, however, from this idiosyncrasy, it is a cool, level-headed Bourse, and our Consul informs us that it was not much disturbed in 1896. One disturbing influence, which weakened the desire of the Dutch to purchase their own Consols, was the discovery before the close of the year of petroleum wells on a large scale in Java and Sumatra. The public subscribed eagerly to several enterprises formed for working these wells, but it is too early to say yet whether the public or the petroleum will be exploited.

Dutch Trade Pact An agreement has been signed between Holland and the Russian zone of Germany for an exchange of goods at the rate of Fls 20,000,000 annually. Dutch imports from the zone will include machinery, potash, timber, paper, glass, pottery and chemicals. Dutch exports thereto will include super-phosphates, fish and rubber.

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# FINANCIAL TIMES

Monday May 26 1997

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## SEC considers reform to cover online markets

Plans could encourage exchanges on internet

By John Authers in New York

The Securities and Exchange Commission, the US regulatory authority, is considering the most sweeping revision in its 63-year history of its powers to regulate the securities markets.

The move is a response to the increasing influence of on-line trading and alternative exchanges such as Instinet and Bloomberg.

The changes being considered could encourage the formation of stock exchanges on the internet, reduce the regulatory burden on small stock exchanges and allow the nation's largest stock exchanges more flexibility.

They could also allow foreign stock exchanges to do business in the US, said Mr Richard Lindsey, the SEC's director of market regulation.

Mr Arthur Levitt, commis-

sion chairman, said: "We are starting down a road I believe will make us more responsive to markets that have changed more in the past five years than they have since they started in this country."

Alternative exchanges and dealing systems now account for some 20 per cent of transactions in Nasdaq securities and 1.4 per cent of volume on the New York Stock Exchange.

Most of these are regulated in the same way as brokers and dealers by the National Association of Securities Dealers.

The SEC wants to reduce the burden of regulation on alternative exchanges and dealers, by establishing a tiered framework through which small exchanges can progress as they grow larger - with the highest tier currently reserved for established markets. The commission also wishes to

start regulating the activities of US companies which offer US investors "entry points" to invest in foreign markets.

The proposals for a three-tier system of regulation could allow small exchanges covered by the lowest tier of supervision to set their own rules.

The commission is looking at a wide range of options for "second-tier" exchanges, which could include exempting them from some regulations imposed on established markets.

The SEC is also considering reducing or eliminating requirements on them, while discussing new ways of overseeing fully-automated systems.

A third tier of traditional exchanges registered with the commission would continue to be regulated in the same way.

A European extranet, Page 11  
Editorial Comment, Page 15

## Outgoing president to retain influence in Iran

By Robin Allen in Tehran

Mr Hashemi Rafsanjani, outgoing president of Iran, yesterday signalled to Mr Mohammad Khatami, surprise winner of last Friday's presidential elections, that he would retain a strong influence over the country's leadership.

Mr Khatami, who is seen as a moderate, won 70 per cent of more than 29m votes cast from an electorate of 32m. He defeated his nearest rival and leading candidate Mr Ali Akbar Nateq-Nouri, speaker of the majlis, or parliament, by almost three to one.

Mr Nateq-Nouri had been endorsed by most of the country's top leadership including Ayatollah Khamenei, Iran's spiritual leader, and President Rafsanjani himself.

Mr Rafsanjani, whose second four-year term expires in August, is constitutionally barred from a third term.

At a press conference yesterday, he said he would continue to "assist the cabinet of Mr Khatami" through the powerful Council of Expediency.

This body was set up by Iran's revolutionary guide and mentor, Ayatollah Ruhollah Khomeini, in the early 1980s to mediate when there was disagreement between the majlis and the keeper of Iran's constitutional virtues, the Council of Guardians.

Iran's president has the number two slot in Ayatollah Khamenei's constitutional hierarchy of power. The degree of power wielded by the president depends on how well he can manage his way through a maze of checks and balances.

The scale of Mr Khatami's victory, the size of the turnout, and the speed with which Mr Nateq-Nouri accepted defeat surprised both Iranians and foreign analysts. Voters and analysts in Tehran and the provinces had reckoned on neither of the two main candidates gaining an absolute majority.

It was expected that the election would go to a run-off and that Mr Nateq-Nouri would emerge the winner.

More than half of Iran's official 69.9m population is under 30, and the minimum voting age is 15. It was already apparent at the start of the official campaign on May 10 that Mr Khatami, a 54-year-old former minister for Islamic guidance and culture, had a greater appeal among the under-30s who make up some 40 per cent of the population.

Iranian analysts say he made effective use of the state-controlled television and the press.

Power balance will test Khatami, Page 3

## THE LEX COLUMN

## Media machinations

Mr Silvio Berlusconi has had a whirlwind career in Italian politics, but the turbulence appears to be paying off. Last week's agreement on a regulatory authority to cover telecoms and media got only a grudging welcome from Mr Berlusconi's Mediaset, but it looks like a resounding victory. The agreement legitimises his business position. It allows Mediaset to keep three channels at least until next April and probably for much longer - he was supposed to dispose of one last August. And the company can now build a digital TV platform and bid for the third mobile phone licence.

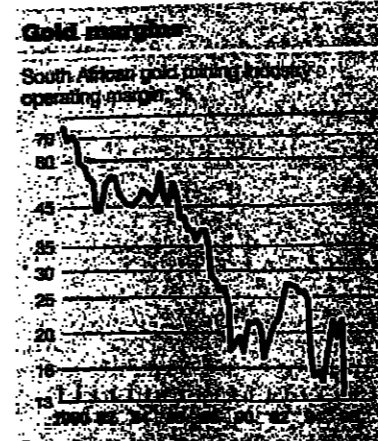
That is not to say that Mr Berlusconi should retire from politics just yet. The law is not yet passed, the regulator has not yet been appointed - and the regulator could make Mediaset's life tough. There are subjective judgments to be made on whether there is enough of a satellite audience in Italy to force Mediaset to turn the Retequattro channel into a satellite channel. Other issues to be addressed include the level of advertising saturation on Italian channels, which is one of the highest in Europe. And once the current TV structure is formalised, the government could consider charging users for spectrum - and the treasury needs all the revenues it can get to meet the Maastricht convergence criteria.

The share price reaction looked a little frugal. But given the opacity of the company, its regulatory uncertainties and legal difficulties facing many of its directors, it is still hard to see it as a compelling long-term investment.

### South African mining

Mr Cyril Ramaphosa, one-time radical black politician and miners' union leader, is very much flavour of the moment in corporate South Africa. Not only is he preparing to take control of Gold Fields, the mining house founded by Cecil John Rhodes. Yesterday he was named acting chairman of South African Breweries for the next two years, while Mr Meyer Kahn, the present incumbent, tries to sort out the South African police force.

Certainly, these are revolutionary times in South African mining. But it is not so much the start of the revolution as its maturation. The roots are found earlier in the decade, when six mining houses - Anglo American, JCI, Anglovaal, Gold Fields, Rand Mines and Gencor - dominated the scene. Since



then Rand Mines has disappeared, insurance company Sanlam has released its hold on Gencon, and Anglo has let go of JCI.

For all South Africa's high-octane politics, the change has been driven by economics. Rising costs and a stagnant price have driven operating margins in the gold industry down to the low teens from 40 to 50 per cent a decade ago. With swaths of capacity unprofitable at this level, minds have been wonderfully concentrated. The outcome has been a ferment of innovation, from mineral swaps, to restructurings, to novel productivity arrangements.

With Mr Ramaphosa standing on the threshold of Gold Fields, and JCI under Mr Mzi Khumalo, the focus has shifted to black empowerment. It has been accelerated by the paucity of white talent. Had Gold Fields and JCI had stronger managements, Mr Khumalo and Mr Ramaphosa would have faced tougher battles for control.

Neither the mooted tie-up between JCI and Lonrho, nor Mr Ramaphosa's accession to Gold Fields, are *faits accomplis*. But both are likely. Competing bidders could yet force Mr Ramaphosa to pay more for his Gold Fields stake than he would like, but the desire of Rembrandt, the controlling shareholder, for a black empowerment deal is unlikely to be thwarted. As for JCI/Lonrho, a tussle about valuation is certainly on the cards, but there is a coincidence of interest which is likely to see the deal done.

At one level, these deals are no more than a swapping of management roles and assets among locals. But this would be to underestimate their significance. Mr Ramaphosa and Mr Khumalo both face a heavy burden of expectation. If they are unable to effect a revolution in productivity, the outlook for the South

African industry is grim indeed. If they succeed, investors could profit handsomely.

Whatever happens on the mining front, the real prizes in South Africa's corporate restructuring lie on the industrial side. Within companies such as Amic, South African Breweries and Rembrandt, huge pools of value are waiting to be unlocked. It is a matter of when rather than if this process starts. The changes under way in the mining sector will certainly spread wider - the recent unbundling of Malbak being an example of what lies ahead.

The big catalyst for change, of course, will be the abolition of exchange controls. When that arrives, structures which make tenuous sense now will cease to have any relevance.

### Japanese equities

Japan's corporate results season is throwing up some pleasant surprises. Recurring profits from the nearly 700 companies that have reported so far have risen by 10 per cent, against forecasts of a 10 per cent increase. That has helped the Nikkei 225 index creep back up above 20,000, a jump of 14 per cent in less than two months.

Investors should remember, however, that this is still a two-tier economy. The export-oriented "nifty" stocks, boosted by yen weakness, are declaring record numbers. Toyota's operating profits nearly doubled while Matsushita's pre-tax earnings more than quadrupled. More domestic manufacturers, meanwhile, are benefitting from cost reductions. Japan's top five steel companies cut ¥220bn (\$1.9bn) off their combined costs last year, helping them overcome weaker prices. But average profits among non-manufacturers actually fell 4 per cent, even ignoring financials, many of whom are still reporting losses.

With the yen starting to strengthen against the dollar, Japan's exporters will find the going more difficult this year. And while April's tax rises do not seem to have thrown the domestic economy back into recession, growth is still expected to slow from 3 per cent to perhaps 1.7 per cent in 1997/98. As a result, average profit growth will slow to less than 10 per cent this year. That suggests that on 45 times prospective earnings, the Nikkei's progress will be more sedate from here.

## Formula One organisers insist float will go ahead

By John Griffiths in London

Plans for the \$3.2bn flotation of Formula One Holdings, the motor racing series controlled by Mr Bernie Ecclestone, were still on track yesterday in spite of a row with leading racing teams over the terms of the float, according to Mr Ecclestone's advisers.

At yesterday's Spanish Grand Prix, Salomon Brothers, the investment bank advising Mr Ecclestone, dismissed the teams' opposition to the float as "internal squabbling". It said threats to pull out of the sport were "hollow".

But one disgruntled team official muttered en route to the Barcelona race track: "Bernie can have all the TV deals he likes, but you can't have Formula One without the teams."

Three leading motor racing teams are fighting behind the scenes for changes in the terms of the flotation to give themselves a higher share of the revenues from television

rights and a bigger stake in the public company. Other racing teams have also expressed private doubts about the equity share-out.

The first draft of the prospectus for Formula One Holdings, which includes all the commercial activities controlled by Mr Ecclestone, F1's promoter, is due to be handed to the London Stock Exchange tomorrow.

Mr Ecclestone's advisers are adamant the flotation of F1 is "on the conveyor belt". They say the final prospectus will be published towards the end of June, with the flotation possibly complete by the British Grand Prix on July 13.

The advisers say the terms of the agreement between the teams and the organisers of F1 over revenues give none of the teams any formal right to even a token equity stake in Formula One Holdings.

They suggest that the dissent teams, notably McLaren Tyrell and Williams - whose

top driver Jacques Villeneuve leads the championship after winning at Barcelona yesterday - might not like it but there is little they can do.

"Do you seriously think that Mercedes-Benz or Renault, who have invested heaven knows how many millions in engines, or sponsors who have paid fortunes for global exposure, are really going to let teams pull out because they have an internal squabble with the promoters over their share of the TV cash? It's a non-starter and they know it," said one flotation insider.

The teams want a bigger equity stake in the floated company than the 1 per cent each allocated in the prospectus.

Analysts also are awaiting clarification in the prospectus of the division of revenues.

Digital pay-per-view TV could boost F1's turnover from last year's \$320m to over \$1bn, which is why the float is valued at about \$3.2bn.

## Brewery chairman to head SA police

Continued from Page 1

policy. A leading member of the South Africa Foundation, a lobby group representing big business, he led calls for more rapid liberalisation of the economy and urged drastic measures to restore law and order.

Big business yesterday applauded his appointment. The son of Lithuanian emigrants, Mr Kahn was born in the

north-west. His hands-on management style and frank way of speaking have earned him the nickname "the boyfie" (boy) from Brits among colleagues. "He's the right guy to knock out the criminals," said Dr Nthato Motlana, chairman of New Africa Investments, the country's biggest black-owned company.

Mr Mbeki said the appointment would enable Mr George Fivaz, national police commis-

sioner, to concentrate on tackling crime. He has previously opposed private sector involvement in managing the police. Overall responsibility for administrative duties will pass to Mr Kahn.

Mr Kahn will inherit an organisation in disarray. In a recent internal survey commissioned by Mr Fivaz, 69 per cent of officers said police management had "no clue" about conditions on the ground.

**FT WEATHER GUIDE**

**Europe today**

A large area of western and central Europe will be sunny and dry with temperatures below 20C except in France and the southern UK. Cloud will move in from the north-west, bringing rain to Norway and Denmark. Some rain is likely in the north-western UK as well. The rain will move into northern Germany during the evening. Rain, heavy at times with occasional thunder, is expected over southern Yugoslavia. Bulgaria will be showery. Heavy rain and strong winds are expected across eastern Ukraine. Portugal and interior parts of Spain will have showers, some thunder. Greece and Italy will be sunny.

**Five-day forecast**

Cool air will again enter central Europe with rain and heavy showers. France will stay dry and sunny. The UK will become sunny. Thunder showers will continue over Spain. The Balkan states will have heavy rain after Tuesday's sunshine.

**TODAY'S TEMPERATURES**

Maximum	Minimum	Forecast
Abu Dhabi	sun 40	cloudy 19
Algiers	sun 31	showers 17
Amsterdam	sun 17	rain 19
Athens	sun 28	sun 35
Atlanta	sun 28	sun 30
B. Aires	sun 14	sun 17
B. Ham	sun 21	sun 13
Bangkok	showers 37	sun 33
Barcelona	sun 24	sun 19
Bell	sun 26	cloudy 19
Belgrade	sun 17	showers 17
Berlin	sun 17	showers 17
Birm	sun 17	showers 17
Bogota	sun 17	showers 17
Bombay	sun 35	sun 35
Brussels	sun 20	sun 30
Budapest	sun 17	sun 17
Calcutta	sun 33	sun 33
Cairo	sun 33	sun 33
Cape Town	sun 24	sun 19
Cardiff	sun 20	sun 20
Casablanca	sun 24	sun 24
Chicago	sun 18	sun 18
Cologne	sun 18	sun 18
Dakar	sun 27	sun 27
Dallas	sun 35	sun 35
Delhi	sun 41	sun 41
Dubai	sun 40	sun 40
Dublin	sun 13	sun 13
Dubrovnik	sun 23	sun 23
Edinburgh	cloudy 19	cloudy 19
Faro	sun 20	sun 20
Frankfurt	sun 24	sun 24
Geneva	sun 18	sun 18
Glasgow	sun 18	sun 18
Graz	sun 18	sun 18
Hamburg	sun 18	sun 18
Helsinki	sun 14	sun 14
Hong Kong	sun 29	sun 29
Honolulu	sun 29	sun 29
Istanbul	sun 20	sun 20
Jakarta	sun 32	sun 32
Jersey	sun 16	sun 16
Kanari	sun 34	sun 34
Kuwait	sun 41	sun 41
L. Angeles	sun 23	sun 23
Las Palmas	sun 26	sun 26
Lima	sun 26	sun 26
London	sun 18	sun 18
Lucembourg	sun 21	sun 21
Lyon	sun 27	sun 27
Madeira	sun 21	sun 21
Madrid	sun 20	sun 20
Manila	sun 26	sun 26
Maracaibo	sun 24	sun 24
Medan	sun 24	sun 24
Melbourne	sun 15	sun 15
Mexico City	sun 24	sun 24
Miami	sun 29	sun 29
Milan	sun 20	sun 20
Montreal	sun 16	sun 16
Moscow	sun 16	sun 16
Munich	sun 16	sun 16
Nairobi	sun 24	sun 24
Nassau	sun 24	sun 24
New York	sun 21	sun 21
Nice	sun 26	sun 26
Nicosia	sun 26	sun 26
Osaka	sun 26	sun 26
Paris	sun 21	sun 21
Perth	sun 27	sun 27
Prague	sun 18	sun 18
Rangoon	sun 26	sun 26
Reykjavik	sun 11	sun 11
Rio	sun 27	sun 27
Rome	sun 25	sun 25
S. Paulo	sun 25	sun 25
Saigon	sun 24	sun 24
Singapore	sun 33	sun 33
Stockholm	sun 15	sun 15
Sydney	sun 23	sun 23
Taipei	sun 24	sun 24
Tel Aviv	sun 27	sun 27
Tokyo	sun 24	sun 24
Toronto	sun 17	sun 17
Vancouver	sun 18	sun 18
Varadero	sun 22	sun 22
Warsaw	sun 18	sun 18
Washington	sun 23	sun 23
Wellington	cloudy 14	cloudy 14
Winnipeg	sun 18	sun 18
Zurich	sun 20	sun 20

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## Saluting 50 years of freedom with yet another spirited performance.

Bajaj Auto races ahead on the road to success, despite a difficult second half for the industry, recording further growth in production, turnover and profit for the year ended 31st March, 1997.

Audited Financial Results for the year ended 31st March, 1997.

	Year ended March 31, 1996 (Rs. in millions)	Year ended March 31, 1997 (Rs. in millions)	Year ended March 31, 1997 (US\$ in millions)
Net Sales/Income from operations	27,938.8	32,441.2	903.463
Other income	1,382.4	2,899.8	58.474
Total Income	29,320.4	34,541.0	961.937
Total expenditure	22,553.1	26,518.5	736.471
Interest	99.8	73.1	2.036
Gross profit after interest but before depreciation & taxation	6,688.3	7,949.4	221.370
Depreciation	737.1	1,178.7	31.824
Profit before tax	5,951.2	6,770.7	188.546
Provision for taxation	1,770.8	2,365.8	65.859
Net Profit	4,180.4	4,404.9	122.687
Profit after prior period adjustments	4,168.4	4,399.6	122.517
Paid up equity share capital	795.9	795.9	22.164
Reserves (excluding revaluation reserves)	13,287.8	16,811.1	468.145
Earnings per share (Rs/US\$)	52.37	55.28	1.539
Cash Earnings per share (Rs/US\$)	61.63	70.06	1.922

NOTE: 1. The above results have been taken on record in a meeting of Board of Directors held on Wednesday 14th May 1997.  
2. Dividend recommended 100%  
3. The total two and three wheeler production and sale during the year ended March 31, 1997 was 1,438,174 and 1,422,849 respectively. The corresponding figures for the year ended March 31, 1996 were Rs. 1,302,031 and Rs. 1,307,211.  
4. The total exports of the Company for the year were Rs. 1,682.0 million against Rs. 1,685.5 million for the previous year.  
5. In view of there being no new lease transactions, the Provision for Taxation for the year is much higher.  
6. The conversion rate for currency has been taken as US\$1 = Rs. 35.91

BY ORDER OF THE BOARD OF DIRECTORS  
FOR BAJAJ AUTO LIMITED

MUMBAI, INDIA  
DATE: 14th May, 1997

RAHUL BAJAJ  
CHAIRMAN & MANAGING DIRECTOR

• Production up by 10.5 % • Turnover up by 17.8% • Gross profit up by 18.9%

**bajaj auto ltd.**  
Ahmed, Pune 411035

محکم دلائل سے مزین

**IN BRIEF**

**Gremlin plans to raise up to \$81m**

Gremlin Interactive, one of Europe's leading publishers of video and computer games, is planning a \$45m-£50m (\$73m-£81m) flotation to fund acquisitions and new product development in the entertainment software industry. The company, which publishes titles such as *Zool* and *Rebels of the Hearting*, aims to use funds from the placing to win a greater share of the international games market - worth an estimated \$6.4bn a year. Page 18

**Paribas restructures in Belgium**  
Paribas, the French financial group, has announced a turning point in its Belgian operations with the sale of its retail banking activities and a restructuring of other businesses. Paribas wants to focus on two core businesses - international investment banking and specialist financial services. Page 18

**Ukraine moves to allay investors' fears**  
Ukraine has reassured foreign investors attracted to the country's fledgling Treasury bill market by vowing to keep its currency - the hryvnia - within a corridor of 1.7 to 1.9 against the dollar. Interest in the market was heightened when Kiev announced the corridor earlier this year, but some buyers fear the band may not come into force until after the passage of the 1997 budget by parliament. Page 22

**Cellular phones lift NTT**  
A strong contribution from cellular phone subsidiaries helped NTT, Japan's dominant telecommunications carrier, lift sales and profits for the third year running. The telecom group's sales in the year to March rose 2 per cent to ¥8,821.8bn (\$76bn) and pre-tax profits gained 5 per cent to ¥444.6bn. Page 18

**Commerzbank boosts equities business**  
Commerzbank of Germany is building up its investment banking operations by boosting its international equities business and planning a new trading floor in Frankfurt. It has hired Mr Mehmet Dalman, former head of Deutsche Morgan Grenfell's equities operations in Tokyo, to lead its global equities operations. Page 18

**Italy to retain 51% of Eni**  
The Italian Treasury will keep its stake in Eni, the oil, gas and petrochemicals group, above 51 per cent when it sells a third tranche of shares next month. The decision allows the centre-left Prodi government to head off political pressure to retain control of this strategic asset, which is the seventh-biggest publicly traded oil company in the world and the largest by market capitalisation in Italy. Page 18

**Serbian bank plans \$50m placement**  
Serbia's state-owned Beogradska Banka plans to raise up to \$50m through a private placement with a London-based bank, the first such loan since sanctions against Belgrade were lifted last year. Beogradska said the six-month loan carried a monthly interest rate of about 3 per cent, reflecting Serbia's high-risk status. Page 18

**Mazda depressed by competition**  
Mazda, the Japanese carmaker which is 33.3 per cent owned by Ford, forecast a return to operating profit in the current year, despite a decline in sales and another operating loss in the year to end-March, amid competition in Japan. Mazda said cost cutting and sales of new models would help it return to profit this year for the first time in five years. Page 18

**PepsiCo to sell distribution unit**  
PepsiCo, the US drinks and snacks group, is to sell PFS, its restaurant supply distribution unit to AmeriServe Food Distribution, a subsidiary of Holberg Industries, on undisclosed terms. The combination of AmeriServe and PFS would create the largest food service systems distributor in the US, with more than 4,000 employees and 1997 sales expected to exceed \$5.4bn. Page 18

**Elf in FF1.2bn share buy-back**  
Elf, the French oil group, has paid FF1.2bn (\$210m) to buy back 0.7 per cent of its own shares from Axa-UEF, the insurance group, in a further move towards the restructuring of the country's large corporate shareholdings. The move on Friday came the day after Renault, the car manufacturer, sold its 0.9 per cent stake in Elf back to the company for FF1.5bn. Page 18

**Dresdner Bank profit up 10%**  
Dresdner Bank, Germany's second-biggest bank, turned in a lower first-quarter profit increase than its two main rivals, but said this reflected the comparison with a buoyant start to last year. Operating profits before risk provisions rose 10 per cent to DM981m (\$586m). Page 18

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**Citicorp to set up fund team**

Bank hires high-flyer and rejects plans to purchase fund business

By John Authers in New York

Citicorp has abandoned plans to buy a fund management business and decided to build its own.

The US bank has recruited Mr Peter Carman, former head of equities at Boston-based Putnam Investments, to be its new chief investment officer, in the hope that he will attract other high-powered money managers.

Putnam has been one of the increasingly significant figures in the US mutual fund market in the past few years. Mr Carman has been its chief of equity investments since 1993.

Mr John Reed, Citicorp's chief executive, said the appointment was "part of an expanded commitment on our part to build an absolutely first-class investment management competence completely within the company".

When speaking to analysts this year, Mr Reed had said Citicorp, which already manages almost \$130bn in assets, was interested in buying a fund manager to help boost its portfolio of retirement savings products. This would have followed the trend set by several other US commercial banks in the past few years and helped it to participate fully in the currently booming US mutual fund market.

Putnam sold more mutual funds through intermediaries than any other company last year. Its overall sales came second only to Vanguard, a direct marketer, and were ahead of its Boston rival Fidelity Investments, a long-time leader of the industry.

Under Mr Carman and others, Putnam has championed the "team" investment style, with stocks screened using quantitative techniques, and final investment decisions being taken by groups of fund managers.



John Reed, Citicorp chief executive, embracing the development of a home-grown fund management business

Picture: Helmut Seidman

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This method was a strong departure from the traditional system of giving autonomy to individual fund managers, but made it popular with pension fund managers, brokers and dealers.

Mr Reed seems to have decided to adopt Putnam's approach throughout Citi-

corp's investment management business.

He said: "We look to Peter to draw on his experience in building and shaping a team-oriented investment process, where portfolio managers are complemented by a state-of-the-art research capability that includes both strong funda-

mental analysis and rigorous quantitative techniques."

Putnam announced that Mr Carman would be replaced by Mr Tim Ferguson, a former chief executive of County NatWest Securities and HSBC Asset Management in London, who joined the company last year.

**Value of Poland's Bank Handlowy may reach \$1bn when sale starts today**

By Christopher Bobinski in Warsaw

Price aims to draw domestic and institutional investors

Bank Handlowy (BH), one of Poland's largest banks, could be valued at up to \$1bn when it goes on sale today in central Europe's biggest privatisation of a financial institution.

The share price of between 28 zlotys and 35 zlotys aims to attract domestic as well as institutional investors, and gives Bank Handlowy a price-earnings ratio slightly below the current average for financial institutions on the Warsaw Stock Exchange.

In tandem with the govern-

ment, BH is putting the finishing touches to letters of intent with three foreign core investors, including J.P. Morgan, the US investment bank, which is being offered a stake of about 10 per cent. BH hopes this week to reveal the composition of the group, which is expected to include an insurer and a retail bank, during presentations to foreign investors. The core group is to retain its stock for at least three years.

BH was nationalised after the war and given sole responsibility for foreign trade trans-

actions. After the 1989 market reforms, it moved into corporate lending, where it now has 9 per cent of the market, and built a successful investment banking operation. The bank, whose net profit reached \$30m zlotys (\$168m) last year, still retains 27 per cent of Poland's trade finance-related operations. Assets of 14.7bn zlotys represent 12 per cent of the country's banking system.

The final price of the bank will be announced on June 17, with the allocation of the

61.8m shares on offer planned for June 21. Domestic retail investors will get priority in the allocation and the bank hopes to attract between 200,000 and 300,000 through a widespread media campaign.

Domestic investors who sign up for shares early will also be given a 5 per cent discount. Foreign institutions, whose demand will play the key role in fixing the bank's price, could be left with just 15 per cent of the bank worth a maximum of \$150m should the offer sell well at home.

BH's strategy includes a possible move into retail banking to give the bank access to low-cost household deposits.

According to Mr Cezary Stypulowski, the chairman, plans depend on the three core investors, whose expertise and financial support will be used to develop BH's corporate culture. BH also sets great store by having a big group of domestic investors, who are being given incentives to keep their stock for a year, enabling BH to retain its national character.

She said the formation of the new group was a step towards privatisation of Yugoslavia's banks.

However, political commentators doubt whether Mr Milosevic's ruling Socialist party has a real commitment towards privatising its banks. They noted that directors of Beobanka, Yugoslavia's biggest commercial bank, had so far refused to join the new group. Beobanka is dominated by the hardline Yugoslav United Left allied to Mr Milosevic.

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Bank to borrow in UK, Page 18

**Generators plug in abroad**

By Simon Holberton in London

With their home market under the watchful and suspicious gaze of the electricity regulator, Professor Stephen Littlechild, the UK's two big generators have had little choice but to invest abroad.

But necessity has turned into enthusiasm as National Power, the UK's largest generator, and PowerGen, its smaller rival, have taken advantage of growing opportunities in Asia, Australia, Europe and the US.

National Power has now spent nearly \$1bn (\$1.63bn) in equity in foreign power ventures, two-thirds of which was invested last year alone. PowerGen is not far behind with planned equity investment abroad of about \$700m. "Within five years the total output from international projects where we have significant interests will approach the same level as current generation from our UK plants."

said Mr Deryk King, PowerGen group managing director. PowerGen's UK power stations generated nearly 62TWh of electricity last year. By 2002 the company expects output from current international projects to be 46TWh.

But foreign ventures have the capacity to surprise. National Power's annual results last week were overshadowed by reports that the Pakistan government wanted to renegotiate a 30-year purchasing agreement with the 1,292MW Hub power station, in which the UK generator has a 25.7 per cent interest.

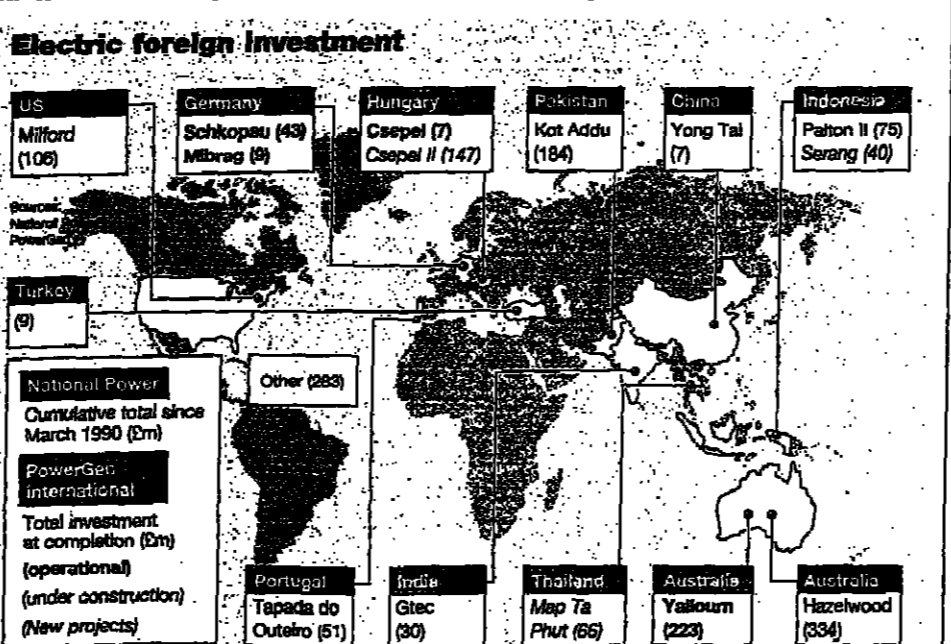
The threat was dispelled but the question of how well qualified the UK generators are to compete abroad remained. Only recently National Grid Group, owner of the high-voltage transmission system in England and Wales, was left looking foolish after it had to pull out of two international transactions in a week. National Grid faces no compe-

tion in its core business, while the generators operate in probably the most competitive electricity market in the world.

"International diversification represents a sensible use of the generators' skills," says one analyst. "It is not something their existing investors could easily do themselves."

But doubts linger as to whether the returns on investment will be as big as promised. National Power said last week it expected its foreign operations to produce after-tax profits of \$145m in 1997-98.

PowerGen said it expected exciting foreign operations to produce operating profits of about \$100m by 2001. The deals in Indonesia and Thailand announced last week would "reinforce earnings growth beyond 2001", it said. But last week's results from PowerGen showed only \$12m of overseas profits, and \$5m of that was from an asset sale.



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Continued on Page 10

## COMPANIES AND FINANCE

## Gremlin to fund expansion with float

By Tim Burt

Gremlin Interactive, one of Europe's leading publishers of video and computer games, is planning a \$45m-50m (\$73m-\$81m) flotation to fund acquisitions and product development in the fast-growing entertainment software industry.

The company, which publishes titles such as *Zool* and *Rebels of the Haunting*, aims to use the £10m-£12m raised by the placing to win a greater share of the international games market -

worth an estimated \$6.4bn a year.

Mr Ian Stewart, who invested £1,000 to co-found the company 13 years ago, said the market was growing at 35-40 per cent a year and faster still in the emerging economies of south-east Asia and China.

"Despite the growth, the software publishers are consolidating and we want to take advantage of the acquisition opportunities that presents," he said.

In the past year, Gremlin has acquired smaller UK rivals DMA

Design and Imagitec for undisclosed sums.

Mr Stewart, chairman, said it was seeking further similar candidates for takeover.

The company also plans to more than double the output of new titles from seven to 15 a year.

In the meantime, Mr Stewart and Ms Jenny Richards-Stewart, his wife, who will be joint chief executives of the quoted company, together expect to make \$4m-\$5m by selling part of their controlling stake.

Ms Richards-Stewart said they would retain about 40 per cent of the company.

At the pre-tax level, profits last

year rose from \$338,000 to \$2.57m. In the nine months to April 30 this year, the company made pre-tax profits of £3m on sales of about £12m.

Mr Stewart said the improvement had partly been fuelled by demand for games such as *Actua Soccer*, the interactive football game, following last year's European football championships.

The placing, handled by Beeson Gregory, is expected to be completed early in the summer.

Operating profits at Gremlin rose from £1.13m to £2.31m while sales increased from £7.54m to £11.3m in the year to July 31.

Funsoft Holdings, the German games distributor which acquired 25 per cent of Gremlin in 1995, will hold a 10-15 per cent stake after the flotation.

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## Paribas disposal in wider Belgian shake-up

By Andrew Jack in Paris

Paribas, the French financial group, has announced a significant turning point in its operations in Belgium, with the sale of its retail banking activities and a restructuring of its other businesses.

It will sell a controlling stake in Paribas Belgique, its retail banking arm, for an undisclosed amount to Groupe Bacob-Arco, fundamentally modifying its Belgian presence, which dates from 1922.

It is also reorganising the ownership and portfolio of Gevaert, an investment company with stakes in Agnol, Almani and Hapag-Lloyd, in which Paribas subsidiary Cobepe holds a majority stake, and Almani-Kreditbank Groupe a minority share.

Paribas said the action was part of its strategy to focus on two core businesses - international investment banking and specialist financial services - and reflected realignments in the preparations for the creation of the single European currency.

Paribas will sell a 47 per cent stake in Paribas Belgique - in which it owns 77 per cent - to Bacob-Arco, which will in turn launch a tender offer to minority shareholders, bringing its stake up to 70 per cent.

In a second step, Paribas said its remaining 30 per cent stake "could be" sold to the Belgian group, the banking subsidiary of which trades under the name Banque Bacob.

Individuals close to the negotiations said that the 47 per cent stake would be worth "several billion" and would certainly generate more than the sale this year of Crédit du Nord, Paribas' French retail banking subsidiary, to Société Générale for FF2.2bn (\$370m).

The deal will leave Paribas with a banking branch which will retain the Paribas name but will largely deal with its investment banking activities.

It will co-operate with Bacob over the distribution of financial service products.

In a separate transaction, Cobepe, which is a 65 per cent subsidiary of Paribas, is to absorb half the assets controlled by Gevaert and manage them directly. The remainder will be transferred to a new quoted company.

Shareholders of Gevaert will be asked at an extraordinary meeting to approve a special dividend of Bfr150 a share, after which the net asset value of the group is estimated at Bfr73bn (\$2.09bn).

The deal will allow minority investors to exchange their existing Gevaert shares for holdings in either Cobepe or Almani.



Pete Postlewaite, Stephen Baldwin and Gabriel Byrne (left to right) in 'The Usual Suspects', which was produced by Mr Robert Jones

PolyGram, the Dutch entertainment group, has clinched a three-year first-look deal with Mr Robert Jones, the film producer behind the thriller, *The Usual Suspects*, writes

Alice Rawthorn. The agreement gives PolyGram pre-emptive rights over all the pictures developed by The Jonescompany. Mr Jones' film production business. It forms part

of PolyGram's efforts to increase its film-making capacity in the approach to the launch of its US distribution network later this year. The Dutch group, still struggling to

bring its film subsidiary into the black despite successes such as *Fargo* and *Trainspotting*, recently concluded a smaller deal with Mr Alan Parker, director of *Evita*.

## Expansion at Commerzbank

By Graham Bowley in Frankfurt

Commerzbank of Germany is building up its investment banking operations by boosting its international equities side and planning a new trading floor in Frankfurt.

It has hired Mr Mehmet Dalman, former head of Deutsche Morgan Grenfell's equities operations in Tokyo, to lead its global equities operations from Frankfurt, including sales, trading and research.

Mr Dalman "has a brief to hire more staff, although he does not have a blank cheque", Commerzbank said.

The move follows strong growth in the bank's global bond activities and in derivative

atives. It has made inroads into eastern Europe, including the Czech Republic and Poland, which the enlarged investment banking group would support.

The expansion reflects the group's strategy of building its operations from within rather than through acquisitions, such as Deutsche Bank's acquisition of Morgan Grenfell.

Commerzbank denied reports that it had been looking at buying BZW, the investment banking arm of Barclays. "We have always said we would grow organically," it said.

The move to boost the investment banking arm comes amid competition among German banks to

capture new business in the former communist countries of eastern Europe. Several have opened subsidiaries or representative offices for commercial banking, but they now intend to build up investment banking in the region quickly.

Deutsche Bank plans to open its first representative office in Zagreb, Croatia, next week.

Commerzbank's new trading floor, which is intended to house about 500 traders, would bring together all the bank's trading, including both equities and bonds. Building is scheduled to start this year, with the opening planned for 2000.

Mr Martin Kohlhausen, the bank chairman, has

stressed in the past that the bank's strategy is to expand in London, New York and Singapore. It has already shifted a lot of its trading in bonds denominated in currencies other than the D-Mark to London.

But yesterday the bank said its 'centre of competence' is still in Frankfurt, even though there is a lot of know-how in London.

Mr Dalman will be responsible to Mr Klaus Patig, a board member in charge of investment banking, including equities and bonds.

Commerzbank has built a new headquarters in Frankfurt. The building, which it claims is Europe's tallest and which dominates the skyline, is due to open soon.

## Cellular phone side aids NTT advance

By Michio Nakamoto in Tokyo

A strong contribution from cellular phone subsidiaries helped NTT, Japan's dominant telecoms carrier, lift sales and profits for the third year running.

The telecom group's sales in the year to March rose 2 per cent from ¥7,908.6bn to ¥8,221.8bn (\$76bn) and pre-tax profits rose 5 per cent from ¥423.5bn to ¥444.6bn. Net profits, however, fell from ¥213.2bn to ¥149.8bn.

NTT attributed its better performance largely to the contribution from NTT DoCoMo, its cellular phone subsidiary which is to be listed next year. DoCoMo has seen sales and profits rise strongly on surging demand for cellular phones.

Consolidated sales rose 56 per cent to a record ¥1,962.9bn while recurring profits increased 74 per cent to ¥193.3bn.

The contribution from DoCoMo more than made up for the loss from personal handypagers or PHS - a mobile phone cheaper than cellular phones. NTT's PHS subsidiaries collectively reported a loss of ¥90.7bn, largely on high capital spending costs.

NTT's mainline telephone business suffered from tariff reductions, particularly in the long-distance market where it cut tariffs in February and introduced discount rates for a variety of services. The impact of the tariff reductions and discounts came to ¥67bn.

However, buoyant demand for on-line communications gave a strong boost to NTT's ISDN services, which offer advanced communications links.

NTT does not expect its core telecoms business to lift results in the current year, although ISDN and multimedia related businesses will increase revenues. A strong rise is forecast in group sales, to ¥9,444bn, as well as in profits, to ¥519bn, and net profits, to ¥240bn. But these are largely attributed to continuing growth at NTT DoCoMo along with higher revenues and smaller losses at the PHS subsidiaries.

NTT DoCoMo is forecasting recurring profits in the current year of ¥182bn.

International Telecomunications Japan, the international carrier which is to merge with Japan Telecom, reported a drop in recurring profits despite higher revenues, because of high depreciation charges and lower tariffs.

It saw sales rise 47 per cent from ¥48.4bn to ¥70.9bn, largely on a change in accounting. Recurring profits, however, fell 88 per cent. Net profit plunged from ¥3.8bn to ¥221m.

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## State to retain 51% of Eni

By Robert Graham in Rome

The Italian Treasury will keep its stake in Eni, the oil, gas and petrochemicals group, above 51 per cent when it sells a third tranche of shares next month.

The decision allows the centre-left Prodi government to head off political pressure to retain control of this strategic asset, which is the seventh-biggest publicly traded oil company in the world and the largest by market capitalisation in Italy.

However, officials insist an offering of more than 30 per

cent was never seriously considered.

The offer size is not scheduled to be announced until June 7, with the book-building exercise beginning on June 9 and the close of the offer on June 27.

At present the treasury holds 69 per cent of Eni following two previous sales beginning in 1995. The last offering in 1996 totalled 16 per cent after the "green shoe" option had been exercised, raising L3,900bn (\$5.34bn). The first tranche raised L4,900bn.

The main difference in the

company since the first two tranches has been Eni's decision in April to incorporate Agip, its principal operating company responsible for oil and gas exploration and production.

Also this month Eni initiated an important potential diversification by signing a memorandum of understanding with Enel, the state-owned electricity company, to study a joint venture for electricity generation.

The treasury has announced it will once again be exercising the "green shoe" option to offer extra

shares if there is demand, and will also encourage investors with a 1-for10 bonus for those holding their shares for a year.

The global co-ordinator for the third phase of privatisation is Credit Suisse First Boston. The price ceiling will be fixed on June 21.

Last time, a 3.5 per cent discount was given on the retail price offer, and with Eni shares now trading at close to L9,000 there has been a 30 per cent gain. In the case of the first tranche price, the gain has been 70 per cent.

## Serbia bank to borrow in UK

By Guy Dinmore in Belgrade

Serbia's state-owned Beogradska Banka said yesterday it planned to raise up to \$50m through a private placement with a London-based bank, the first such loan since international sanctions against Belgrade were lifted last year.

Mrs Borica Vucic, acting managing director of Beogradska, said the six-month

loan carried a monthly interest rate of about 3 per cent, reflecting Serbia's high-risk status. It would be converted into dinars to help local companies finance production for exports.

Belgrade newspapers said the credit would come from ANZ bank. Mrs Vucic declined to name the bank involved until details of the loan were made public, possibly within a week.

Foreign banks have largely shunned Belgrade since the imposition of international sanctions against the former Yugoslavia in 1991. The European Union and US are blocking IMF membership for Yugoslavia, which now comprises Serbia and Montenegro, until political conditions are met.

One western banker said he doubted Serbia would be able to raise substantial

amounts of funds abroad until its IMF membership was resolved.

A Serbian analyst described the high rate negotiated with the foreign bank as "catastrophic". Serbia is running a large foreign trade deficit and has all but exhausted its foreign exchange reserves. "We must find credits to finance exports. We need short-term money," Mrs Vucic said.

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## INTERNATIONAL NEWS DIGEST

## Axa-UAP reduces Elf, BNP stakes

Axa-UAP, the French insurer which formally merged into a single group this month, has sold significant stakes in both Elf Aquitaine, the oil group, and Banque Nationale de Paris, the banking group. The action comes as part of its policy to reduce a number of its large equity investments following the merger, and at a time of a broader restructuring of French capitalism.

Elf paid FF1.2bn (\$210m) to buy back 0.7 per cent of its own shares from Axa-UAP on Thursday, leaving the insurer with 6.2m shares in the group, which represents 3.4 per cent of the capital and 6.5 per cent of the voting rights.

The transaction came the day after Renault, the car manufacturer, sold its 0.9 per cent stake in Elf back to the company for FF1.5bn, bringing to an end its participation as part of a group of core investors in Elf at the time of its privatisation in 1994. Elf now holds more than 6 per cent of its own shares.

Separately, Axa-UAP said late on Friday night that it had sold 5m shares in BNP, cutting its stake to 9.5 per cent and weakening the historical cross-shareholding between BNP and UAP.

The latest deals follow the unwinding in the past few months of the cross-shareholding between Elf and Suez, the flagship French conglomerate which recently merged with the utilities group Lyonnaise des Eaux.

Andrew Jack, Paris

## PepsiCo to sell PFS

PepsiCo, the US drinks and snacks group, is to sell PFS, its restaurant supply distribution unit, to AmeriServe Food Distribution, a subsidiary of Holberg Industries, on undisclosed terms. The combination of AmeriServe and PFS would create the largest food service systems distributor in the US, with more than 5,000 employees and 1997 sales expected to exceed \$5.4bn.

The sale of PFS, which distributes about \$3.4bn of food, equipment and other supplies to around 18,000 restaurants, is part of PepsiCo's strategy announced in January by which PepsiCo has focused on Frito-Lay, the snack business, and Pepsi-Cola, the beverage business, by spinning off its three large restaurant chains to shareholders and selling its smaller restaurant chains and PFS.

Rosier, New York

## BBV to split shares

Banco Bilbao Vizcaya became the third of Spain's big banks to announce a share split in order to attract more small investors. The bank proposed earlier this year to remunerate shareholders by reducing the nominal value of its share from Ptas50 to Ptas250. It has now called a special shareholders' meeting on June 19 to approve a move, first to increase the share value to Ptas750 through a Ptas1.68bn (\$62m) payment from reserves, and then to reduce it to Ptas250, tripling the number of shares.

The move by Spain's largest bank by market capitalisation, follows a plan by Banco Santander to cut the nominal value of its share from Ptas750 to Ptas250. Banco Popular is also set to carry out a share split this autumn, reducing its nominal share value from Ptas500 to Ptas125.

David White, Madrid

## Dresdner Bank climbs 10%

Dresdner Bank, Germany's second-biggest bank, turned in a lower first-quarter profit than its two main rivals but said this mainly reflected the comparison with a very buoyant start to last year. Operating profits before risk provisions rose 10 per cent to DM499.1m (\$586m). This compares with first-quarter increases of 21 per cent to DM1.37bn at Deutsche Bank (after provisions) and one of 20.5 per cent to DM1.05bn at Commerzbank (before provisions).

However, Mr Jürgen Sarrazin, Dresdner chairman, said the result for the first three months was 25 per cent higher than one quarter of the full 1996 operating profit, a comparison that smooths out fluctuations during the year. He denied reports that the bank was interested in buying a stake in Deutsche Postbank, due to be privatised. Dresdner's sale of its indirect 10 per cent stake in Degussa, the chemicals and metals company, to the Veba group would raise DM800m, netting it more than DM500m.

Andrew Fisher, Frankfurt

## Acer plans new products

Acer, the Taiwanese computer manufacturer, plans to boost the share of revenues derived from consumer electronics from 5 per cent to 20 per cent by the end of the decade. As part of this strategy it will launch new consumer products including GSM digital mobile telephones aimed at the European market, digital set-top boxes, wide-screen televisions, and an "internet appliance device" which will hook up to a standard television and telephone line and provide access to the internet's information resources. Acer is already a leading manufacturer of desktop and portable personal computers.

Paul Taylor, Taipei

## Strong advance at Fuji Photo

Fuji Photo Film, Japan's largest maker of colour film and the world's second-largest, saw increased profits and sales for the year to March because of strong sales of its new advanced photo system and foreign exchange gains due to the weakening of the yen. The company's aggressive moves to expand sales in the US during the year underpinned a bitter trade dispute with its US rival, Eastman Kodak. The two are now fighting their case before the World Trade Organisation. Fuji Film's recent announcement that it would invest about \$200m to build its first film-manufacturing facility in the US has intensified that rivalry.

In the year to March, Fuji Film's consolidated recurring profit rose 22.2 per cent to ¥160.2bn (\$1.38bn) on sales of ¥1,252.2bn, up 15.4 per cent. After-tax profit rose 17.1 per cent to ¥85.3bn. The dividend will be lifted ¥1 to ¥22.

Gwen Robinson, Tokyo

## Volvo heavy truck sales fall

Volvo has underlined the continued weakness of its heavy truck operations with figures showing annualised sales down 7 per cent in the first four months. The Swedish group sold 21,047 vehicles, compared with 22,585 at the same stage last year. Worst hit were its European sales, where revenues slumped 14 per cent. Volvo said, however, that orders had risen and deliveries had picked up in the past month. It reaffirmed a forecast that the total European market would this year be between 160,000 and 170,000 vehicles.

In North America, Volvo's sales rose 4 per cent but its market share was unchanged. The group has incurred heavy losses in the US following a sharp drop in the market last year. It said the deficit was being improved by reducing costs, but gave no indication of when break-even would be reached.

Greg McIvor, Stockholm

## Weak debut for YTL shares

YTL Power International, the power subsidiary of Malaysia's YTL Corp with interests in Zimbabwe and China, made a lacklustre debut on the Kuala Lumpur Stock Exchange, due partly to weak market sentiment and partly to the fact that the company is something of an unknown quantity. The company's share price rose 80 cents, or 8.8 per cent, to close on Friday at M\$3.70, after hitting M\$4.50 shortly after the market opened. The initial public offering was oversubscribed more than two times, analysts said.

James Eynige, Kuala Lumpur

## Mazda depressed by competition

By Michio Nakamoto

Mazda, the Japanese carmaker which is 33.3 per cent owned by Ford, forecast a return to operating profit in the current year, despite a decline in sales and another operating loss in the year to end-March, amid competition in Japan.

Mazda said cost cutting and sales of new models would help it return to operating profit this year for the first time in five years, on sales higher for the first time in six years.

In a bid to regain lost

ground and complement its product line, the company plans to almost double capital investment this year to ¥420bn (\$3.64bn), while research and development and sales costs will rise from ¥888bn to ¥790bn.

In the year to end-March, however, Mazda continued to suffer from a lack of models suited to the Japanese's changing tastes and reported a non-consolidated operating loss of ¥53bn - smaller than the ¥126bn operating loss last time.

Sales declined slightly to ¥14,268bn, but recurring

profits rose from ¥12bn to ¥138bn, largely as a result of asset sales. Net profits rose from ¥394m to ¥62bn.

Mazda expects to make a consolidated net loss, in part due to the larger share of the loss at AutoAlliance that Mazda will bear as a result of having increased its stake in its US manufacturing joint venture with Ford.

"We're not where we'd thought we'd be in sales," admitted Mr Gary Hexter, senior managing director. Although the Demio, Mazda's small, recreational car, has been selling very well,

the sluggish performance of its saloons depressed sales in Japan.

Exports rose 6 per cent in value terms. As Mazda's export sales are yen-denominated, its gains from the yen's weakness were not that pronounced.

Cost reductions contributed ¥370bn and are expected to add another boost of ¥400bn this year. Debts have fallen from a peak of more than ¥580bn to less than ¥400bn.

Meanwhile, Mazda hopes that a range of models to be introduced and a full-year

contribution from the popular Demio will help it increase domestic sales and achieve an operating profit this year. The company is on track to make operating profits in the first half, which would be a breakthrough, Mr Hexter said.

Exports will increase in the current year, mainly to Europe, where the introduction of a remodelled 626 saloon is expected to boost sales. Mazda expects exports to rise 10 per cent in the year. This will help parent sales increase 11 per cent to a forecasted ¥15,800bn.





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# Turkey

The government is on notice from the army that there is no room for the premier's brand of Islamist politics. John Barham reports

## Living in the long shadow of Atatürk

Kemal Atatürk died nearly 80 years ago, but remains Turkey's dominant figure. Giant paintings of Atatürk in various poses and uniforms hang from state buildings in Ankara on national holidays. Every year, at exactly five minutes past nine on the morning of November 10, the moment Atatürk died in 1938, Turks everywhere stand still for a minute of silence. His mausoleum complex on a hill in the capital is a secularist shrine. Last November 10, a record 750,000 people visited the tomb. Last year, 2.25m people paid their respects there, nearly twice as many as in 1995.

His profile adorns every Turkish banknote, coin and postage stamp. By law, his portrait must hang in every public office. Every school must have a bust of Atatürk. Kemalism, the national ideology bequeathed by Atatürk, is drummed into children in every school.

Turkey and North Korea are the only countries in the world to practise a personality cult on such a scale, and where the national ideology remains a cornerstone of the state. Kemalism holds that Turkey is a secular, unitary state with a single language and a single flag. Its borders cannot be altered and neither can its secularist principles.

These principles have served Turkey reasonably well over the past 74 years since Atatürk built the republic out of the wreckage

of the Ottoman empire. Kemalism set a backward, rural nation on the road to becoming a modern state. However, as Turkey has developed, so the limitations of Atatürk's legacy have become more apparent.

The confrontation between the army, the guardians of Kemalism, and Mr Necmettin Erbakan's Islamist government is proof enough of this. The army has decided there is no room for his brand of moderate Islamist politics in secular Turkey. Generals acting in the name of democracy have been putting pressure on the legitimately-elected prime minister to quit. Turks take this warning seriously: the army has staged three *coups d'état* in 37 years.

Gen Cevik Bir, deputy chief of staff, argues that the armed forces "uphold the democratic nature of our state. The basic tenets of our democracy [are] secularism as well as individual rights and liberties within the unitary system of government. [The armed forces expect] everybody in our country to fully observe and conform to these basic principles".

Mr Erbakan, 69, quoting Atatürk, says "according to the constitution, sovereignty belongs to the people unconditionally. No one can impose conditions. He who is democratic must respect the nation's decision. Elections were held and the nation has indicated the solution".

Some argue that the confrontation is not a crisis of the secularist principles of

Turkey's fractious party politics. Mr Erbakan, who represents just 21 per cent of the electorate, only took power because the secularist parties to the left and right are too deeply divided by personal rivalries to govern.

Others question Mr Erbakan's democratic credentials. Mr Alan Makovsky, a Turkey-watcher at the Washington Institute for Near East Policy, states that "Erbakan's relative moderation in office smacks more of opportunism, than of conviction or democratic evolution".

There are those who say Turkey now has an historical opportunity to re-evaluate Kemalism. Mr Erbuğrul Özkök, editor of the opposition newspaper *Hürriyet*, wrote last month that "without calling it a second republic we are already in fact discussing its need. Turkey is questioning the republic proclaimed in 1923. Now is the right time to begin discussing the possibility of a second republic".

The crisis of Kemalism goes beyond the army's confrontation with Mr Erbakan. The secular state is decaying, corroded by corruption and overwhelmed by debts piled up by a dysfunctional public sector. The economy is adrift for lack of effective government. Inflation, under-employment and low incomes are chronic problems. Society is becoming polarised between secularists and Islamists, right and left, Kurds and Turks, Sunni Muslims and the large minority Alevi sect which

practices a heterodox form of Islam.

Secular Turkey is also losing its validity as a model for the Muslim world, so the debate over secularism and democracy, the roles of Islam and the armed forces in a modern state has wider implications both for Muslim states and for western

governments that fear political Islam.

However, the authorities avoid discussing these questions. President Süleyman Demirel, toppled twice as prime minister by the army and now Turkey's respected elder statesman, says: "We must strive to heal the wounds of the system.



<b>Area:</b> 783,560 sq km	<b>Head of state:</b> President, elected by an absolute majority of the Meclis for a seven-year term. Currently Süleyman Demirel, elected in May 1993
<b>Population:</b> 65.8 m (1995 est.)	<b>Form of state:</b> Parliamentary republic
<b>Official language:</b> Turkish	<b>Legal system:</b> Based on European models and constitution of 1982
<b>Major cities:</b> Ankara (capital) 3,524,000; Istanbul 5,776,000; Izmir 2,128,000; Bursa 1,872,000	<b>National legislature:</b> Unicameral Meclis (parliament) of 550 members directly elected for a five-year term
<b>Exchange rate:</b> 1997 average \$1 = TL1.75/3.38; May 22 1997 \$1 = TL1.57/3.00	<b>Electoral system:</b> Universal direct elections over age of 18. Only parties gaining 10% of the national vote are eligible for seats in the parliament
<b>Next elections:</b> December 24, 1998; next elections due by December 2000	<b>Main political parties:</b> <ul style="list-style-type: none"> <li>Islamist - Welfare party (FEP)</li> <li>Centre-right - Motherland party (ANAP), True Path party (DYP)</li> <li>Centre-left - Democratic Left party (DSP), Republican People's party (CHP)</li> <li>Nationalist right - Grand Unity party (BBP), Grand Turkey party (BTP)</li> <li>Independent pro-Kurdish - People's Labour party (HEP)</li> </ul>

Economic summary		
	1996 Estimate	1997 Estimate
Total GDP, nominal (\$bn)	182.9	194.0
Real GDP growth (annual % change)	7.9	5.0
GDP per head (\$)	2,821	3,049
Inflation, period average (annual % change in CPI)	80.4	75.0
Industrial production (annual % change)	7.1	6.0
Unemployment rate (recorded, %)	7.2	7.8
Money supply, M2 (annual % change)	106	80
Foreign exchange reserves (\$m)	16,435	16,000
Government expenditure (% of GDP)	26.8	26.8
Total foreign debt (\$m)	79,721	82,119
Current account balance (\$m)	-6,967	-7,869
Merchandise exports (\$m)	22,744	24,564
Merchandise imports (\$m)	-42,400	-46,640
Trade balance (\$m)	-19,656	-22,077

Main trading partners (share of total trade to world, 1995)		
Exports	Imports	
Germany 23.3%	Germany 15.5%	
US 7.0%	US 10.4%	
Italy 6.7%	Italy 8.9%	
UK 5.3%	UK 5.1%	
EU 51.3%	EU 47.2%	

a world power by wasting our time wondering if we are going to be another Algeria."

The debate has moved from parliament and on to the streets and into the media. Television devotes prime-time slots to long political debates. Demonstrators have marched peacefully in their hundreds of thousands, most of them to support secularism. Even concerns of western classical music have become a celebration of secularism.

Turkey needs to reform if it is to evolve into a fully modern state, where the powers of government, the armed forces and the mosque are clearly circumscribed and the rights of individuals and minorities, such as the Kurds, are respected. But the military opposes any reform, claiming that it might lead to dissolution of the unitary state.

Turkey must also change to fulfil Atatürk's dream of becoming part of Europe. Many Turks suspect their country's Muslim identity will always prevent membership of a Christian EU. However, a European diplomat said: "We can accept a Muslim state [in the EU] but not a Kemalist one".

The shape a new republic might take is far from clear. Transition is likely to be slow, confusing and possibly violent. In spite of apprehension over the army's resumption of a direct role in politics - one newspaper columnist says Turkey is living through a "soft coup" - the country has avoided unrest. There is no guarantee this will continue.

Turkey has a history of political violence. Twenty people a day died during fighting between extreme left and right wing factions in the 1970s. The 12-year Kurdish rebellion in the south-east has cost more than 20,000 lives. The ageing Mr Erbakan is no rabble-rouser, but there are younger and more aggressive men in his Welfare party ready to take his place.

Yet Turkey also responds well to strong leadership, as Atatürk's career shows. In the 1980s, Turgut Özal, a former prime minister and president, liberalised the economy and created a dynamic new entrepreneurial class. Turkey has not yet found a leader for the 1990s and time is running out.

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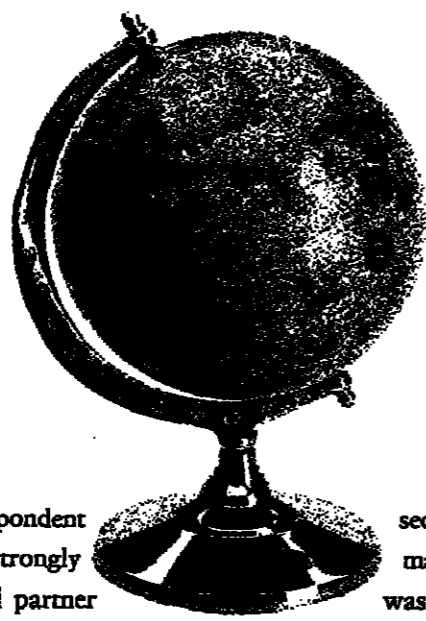
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## II TURKEY

THE ECONOMY • by Metin Münir

# Exception to a rule

The ability to sustain growth despite persistent inflation baffles economists

Turkey's ability to achieve impressive growth rates despite high endemic inflation is one of the mysteries of economics.

A World Bank study covering 127 countries suggests that inflation rates of above 40 per cent affect growth rates "severely, negatively". The study found that during an "inflation crisis" - which is defined as a rate of 40 per cent or higher prevailing for two consecutive years - countries experience growth which is both significantly below the world average for the period and under the country's own growth rate prior to the outbreak of the crisis.

Turkey is an exception to this rule. "Turkey's performance over the past two decades defies the conventional wisdom that high inflation is necessarily associated with low growth," says the World Bank.

Turkey started the decade with an inflation rate of around 60 per cent, which drifted toward the current level of about 80 per cent. GNP grew by 8 per cent in 1995 and 7.9 per cent in 1996, corresponding to 92 per cent and 80 per cent inflation respectively.

The government has a growth target for this year of 4 per cent and an inflation target of 65 per cent. Both are likely to be surpassed. "I must confess that Turkey's ability to sustain growth despite persistent inflation baffles economists," Mr Frederic Temple, head of the World Bank mission in Turkey, told businessmen in Istanbul recently. "Indeed, it even frustrates them."

Turkey seems to have chosen the Italian model for development: growing from poverty to wealth under high inflation, a weak currency, budgetary anarchy and revolving-door governments.

Growth is subject to contradictory pressures. While

## Officially registered foreign trade (\$bn)

Year	Exports	Imports	Balance
1991	13.58	22.19	-8.61
1992	14.71	22.87	-8.16
1993	15.35	23.27	-7.92
1994	18.11	23.27	-5.16
1995	21.64	23.27	-1.63

the private sector is dynamic, versatile, resilient and flexible, the state sector, which still dominates the economy, is inefficient, corrupt and a huge drain on resources.

The public sector, which is overmanned and underproductive, extends from traditional services and utilities to a wide range of primary and secondary industries. It accounts for 10 per cent of employment and 25 per cent of the large-scale corporate sector's manufacturing output, according to the World Bank.

State dominance in the banking sector is even stronger. Six of the 10 largest banks are state controlled. In 1995, over 43 per cent of total deposits in the banking system and about 38 per cent of assets were in state banks.

It is the performance of the state sector which is, ultimately, at the root of inflation and its main cause is government overspending.

According to IMF data, at just under 30 per cent of GDP, the level of public expenditure in Turkey is 50 per cent higher than those of other middle-income countries.

In 1996, the budget deficit jumped to 8.2 per cent of GDP from 4 per cent the year before. At year-end, the domestic debt had grown by 28 per cent to nearly \$30bn.

The consolidated budget deficit rose by 113 per cent in real terms to \$14.55bn from \$8.8bn the year before. The main reason behind this deterioration was the high real interest rates on domestic borrowing and short maturities.

The Treasury had to roll some of its maturing debt three times within the year, substantially amplifying interest payments. More

than half of government revenues went towards servicing the domestic debt. Interest rates on Treasury bills were forced up by political uncertainty, with compound three-month rates going as high as 286 per cent in early 1996.

According to the Banks Association of Turkey, in April yields at dollar terms net of inflation were running at 15 per cent for three-month tenors and 23 per

## Privatisation revenues

Year	Revenues (\$bn)
1990	0.3
1991	0.5
1992	0.7
1993	0.9
1994	1.1
1995	1.3
1996	1.5

cent for six months.

The government's economic policy is focused on short-term palliatives centred around raising revenues to reduce borrowing. The Necmettin Erbakan-Tansu Ciller coalition tried to address the problem by introducing a series of so-called "resource packages", which aim to raise \$30bn, mostly from asset sales and privatisation, to obtain a balanced budget.

"Thank God Turkey is a rich country," Mr Erbakan said. "Wherever you turn there is \$10bn to be plucked. Soon we will be able to give aid to the west."

But most items in his packages are either imaginary or wildly optimistic (like \$14bn earmarked from privatisation), and the budget deficit is expected to

grow even wider. TEB Research, one of Turkey's most respected research companies, foresees a budget deficit of \$17bn in calendar 1997.

In 1996, the first year of the Turkey-EU customs union - which resulted in the elimination of virtually all tariff barriers - the trade balance deteriorated sharply. Although official figures for the whole of 1996 have not yet been published, estimates indicate that exports were \$24.9bn and imports \$44.2bn.

For 1997, the government forecasts a 12 per cent increase in imports to \$49.5bn and a 20 per cent increase in exports to \$30.1bn, leaving the foreign trade deficit more or less unchanged at \$18bn. It is widely predicted however that exports will exceed this target in parallel to GNP growth, which is expected to exceed the target of 4 per cent.

The government expects the current account deficit to decline by 18 per cent in 1997 to \$8bn helped by the continuation of the boom in unrecorded exports to former Soviet states.

The IMF believes that "the economy is in a fragile situation" according to Mr Martin Hardy, the IMF assistant director in charge of reviewing the Turkish economy. He believes that strong political will is required to tackle the underlying problems: the budget and trade deficits, endemic high inflation, the bankrupt social insurance service, the ruinous agricultural support programmes, and the inefficient state companies.

Earlier this month Mr Erbakan established a technical group to prepare a medium-term stabilisation programme - something the central bank has been urging him to do since coming to power nearly a year ago. But it is doubtful whether he - or any other politician in the fragmented parliament - will ever implement such reforms, which would challenge powerful, entrenched interests or entail hardship for the masses.

FOREIGN INVESTMENT • by John Barham

# Political instability unnerves investors

Large companies enthuse about opportunities, but self-promotion by Ankara is lacking

Turkey is the kind of country some foreign investors dream of. It has a large, growing population of mainly young people that is hitting the spending age. Incomes are growing, and with them a hunger for consumer goods.

Turkey's economy is volatile, but the government has maintained its commitment to liberalisation. Last year, a customs union came into force between Turkey and the European Union. Wages are about one-sixth less than in Europe, but workers are often highly motivated. Unionisation and strikes are low.

So why has Turkey never attracted heavy inflows of foreign investment? It has rarely attracted very much more than \$1bn a year in inward investment at a time when capital transfers from rich to developing economies have grown sharply. Last year, when investment flows rose 19 per cent to an estimated \$23.5bn, investment in Turkey remained flat.

Political instability unnerves many investors. Last year, Turkey had three governments. The present coalition is weak and ineffective. Decision-making is slow. Inflation of 80 per cent a year, stalled economic reforms, an impending energy crisis and inadequate infrastructure are further deterrents. In March, Euromoney, the business publishers, moved Turkey 14 places down to 67th position in its country risk rankings. All the leading international credit rating agencies have downgraded Turkey.

Mr Yavuz Canevi, head of Yased, the foreign investors' association, complained: "In this climate, a large number of our members had not only put a halt to new investment in Turkey but also been forced to postpone renewal and expansion investments

or to suspend them completely."

He said new investments, which five years ago made up almost half the total inward investments, fell to just 6.5 per cent in 1995, with reinvestment of locally-earned profits accounting for nearly all foreign investment.

Customs union was expected to spark off an explosion of foreign investment in Turkey. Although EU-based companies are the biggest investors in Turkey, response so far has been muted.

Yet Mr Enver Güney, head of the government's foreign investment directorate, says Turkey began freeing up its once-autarkic economy over 15 years ago and now has one of the region's most liberal investment regimes.

He adds that delayed public sector reform means there can be little foreign participation in privatisations and infrastructure projects, the principal motors of foreign investment in emerging economies. Turkey's 10-year privatisation programme has raised \$3.06bn in revenues, but foreigners, mainly portfolio investors, have bought only \$823.6m of state assets.

Intriguingly, foreign companies and banks well-established in Turkey say it is one of their most profitable markets. Mr Christoph Urban, a Yased official and executive director at Siemens Turkish subsidiary, says: "We have never lost a penny in Turkey. We have always had profitable years and, I must say that in comparison with European countries we are the most profitable of them all." He says Siemens' return on equity averages over 20 per cent.

Mr Urban says this record of profitability has made it easy to justify investing in Turkey. "Each year we invest DM40m to DM60m because we believe in the country. No matter what, we have kept on investing at times of [national] bankruptcy, military take-overs, the Gulf war and the 1994 [Turkish financial] crisis. We

always kept on investing."

Siemens has had its problems in Turkey, usually involving the public sector. This year the city of Istanbul cancelled a contract awarded to a Siemens-led consortium to install electrical systems in the new metro railway system. Last year, Ankara suspended operation of a mobile telephone company in which it held a minority stake.

An official at the International Finance Corporation, the World Bank body that finances private companies, said: "When you view Turkey from above it looks terrible. But viewing from below, from the micro, company level, it looks great."

Turkey has many sophisticated, well-managed companies and has a growing number of successful second-tier companies. It is they who are carrying out the bulk of investments in Turkey in the absence of significant foreign or public investment.

Furthermore, bad news usually travels further and faster than good news. Company headquarters can be swayed more by newspaper reports than presentations from their own executives.

An executive at an international oil company that has suffered heavy losses for years from government price

## Inward investment \$m

Year	Inward investment (\$m)
1985	480
1986	550
1987	1,005
1988	1,242
1989	1,350
1990	830
1991	573

controls, continues investing to expand his retail network to prepare for the day when Turkey liberalises the fuel market. He says: "Argentina used to be our worst market in the world. After it liberalised and privatised it became our best market. But I do not know how much longer our shareholders want to go on betting money on Turkey becoming an Argentina."

Turkey will probably not attract massive foreign investments without stabilising its economy and beginning major privatisations. But Mr Urban, who once headed the New York office of Germany's Treuhand agency that privatised eastern Germany's state companies, thinks Turkey could sell itself better. He says: "Turkey is not promoting itself very well. You have to go where the investors are, you have to explain the situation, you have to find good examples."

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## IV TURKEY

ISLAMIC BUSINESS • by John Barham

## Prospering under Welfare

Interest-free lending continues to be a niche market for Islamic finance houses

If Islam has emerged as a powerful new political force in Turkey, its influence is also growing in the corporate world. Fifteen years ago, there were few, if any, such groups. Now, there are thousands of companies claiming to operate along Islamic lines.

Although it is hard to define what Islamic business practice is, beyond the prohibition on usury and an emphasis on ethics, many observers say the sector is growing rapidly. Islamic companies still tend to be small, but they have benefited strongly from the rise to power of Welfare, the ruling Islamist party.

Welfare has strengthened Islamic businesses by dispensing central and local government patronage that was previously denied them.

In Istanbul, governed since 1994 by a Welfare mayor, small Islamic engineering, service and contracting concerns have won city business that once went the way of big local or international groups.

Müslad, an Islamist business association founded in 1990, now claims 3,000 members. Last year, it had 2,200. Most of these companies, are small or medium businesses based in the Anatolian heartland, operating in low to medium technology sectors such as textiles, construction or furniture-making.

The growth of these companies alarms the army. In February, the military-dominated National Security Council included as part of its anti-Islamist "recommendations" to the government a stipulation that "finance organisations under the control of religious sects should be followed closely and prevented from becoming economic forces".

Mr Ayhan Apak, a director of İhlas Holding, a big

Islamic conglomerate, is irritated that his company should be considered a nest of fundamentalism. He says the group "has no political connotation, no cultural connotation. This is business. You have to work with the rules of the society you live in. The owners of İhlas are good Muslims, and this is a plus in the eyes of the Turkish people".

Mr Vedat Akırcı, a US-trained consultant at İhlas, says: "When people say a company is Islamic, all they mean is that the owner is a practicing Muslim. But business is business. You still have to sell, package, market and produce."

İhlas is well regarded by financial analysts and is growing fast, although no faster than many conventional companies. The company reported revenues up 51 per cent in dollar terms in 1996 to \$714.6m, and net income up by one-third to \$13.3m.

Yet bankers report that İhlas has managed to sew up business deals more easily than it could in the past,

thanks to its good government connections. It has taken a leading role in the privatisation of the state electricity distribution system with access to cheap financing from Islamic banks.

However, an incentive package it negotiated with the government to set up a car factory with South Korea's Kia group unraveled because of strong opposition from the European Union. Brussels argued that the incentives violated Turkey's customs union with the EU.

Yet İhlas has always tried to stay on the right side of the government of the day, whatever its ideology. Mr Apak says the policy of Türkiye, an İhlas-owned newspaper, is to print only good news and avoid criticising the government.

Few groups have risen faster than Kombassan Holding, based in the city of Konya, a Welfare bastion. It was only founded in 1985 but grew rapidly into a conglomerate based on food, construction, light industry and textiles. It has attracted the attention of the regulators at Ankara's Capital Markets Board, which investigated Kombassan for suspected accounting irregularities.

While some observers say its acquisition in March of Petlas, a state-owned tyre company for \$35.7m, was politically-driven, the deal may backfire. Successive governments have privatised Petlas, only to take it back when the company's new owners failed to pay.

Islamic finance is still a niche market. Bankers estimate that interest-free finance houses hold no more than 3 to 5 per cent of the financial system's assets. Although business is growing, they are probably expanding no faster than conventional banks.

Al Baraka Türk, founded in 1985 after the government lifted restrictions on Islamic finance, is Turkey's biggest non-interest bank. It is owned by Turkish and Gulf investors led by the Saudi Al Baraka banking group. It posted a 19 per cent growth in assets last year to

\$899.3m, and a 26 per cent rise in net income.

Companies can either lease equipment or borrow money, paying a large fee to allow for inflation and a margin for Al Baraka. Fees vary between 9 and 13 per cent depending on the client and the deal Al Baraka is backing. Depositors share in the profits and losses of these operations through "participation accounts".

Al Baraka places no funds in interest-bearing instruments, such as high-yielding government securities that became the road to riches for conventional banks. Although this has led to lower returns for their clients, there is still a steady supply of investors motivated more by religious concerns than financial goals.

There are more than half a dozen interest-free finance houses offering a growing range of services. Even some big banks take the Islamic market seriously. Garanti Bankası, one of Turkey's top five banks, offers interest-free banking to clients provided they also keep large balances that earn no interest.

Yet international bankers are wary of supporting Islamic businesses. Syndicating their loans in western financial markets is more difficult than for conventional companies. Furthermore, these companies could suffer if they lost their political connections. A consultant says many of them also have weak management, are ignorant of modern technology, and rely on captive markets of the devout or the poor who are unable to afford better quality products.

A fairer assessment would probably conclude that Islamic businesses have many of the strengths and weaknesses of conventional Turkish companies. The more successful Islamic businesses tend to be flexible, tightly-controlled and highly diversified, with fat margins. Yet they are still reliant on political favours, lack focus, and are controlled by ageing founders rather than professional managers.



Markets, small shops and money-changers, make up a very large and growing 'grey economy' which is seen as especially important in providing jobs for the poor who would otherwise be unemployed

HUMAN RIGHTS • by John Barham

## Violations still common

Campaigners say reforms are inadequate and enforcement is weak

Serious human rights violations continue in Turkey, in spite of heavy foreign pressure - particularly from the European Union - to halt abuses. The Turkish Human Rights Association's (İHD) statistics show some improvement, but violations are still common.

The government says it deplores violations as much as local and foreign campaigners. Mrs Tansu Çiller, deputy prime minister and foreign minister, said in March: "From now on there will not be any missing persons in this country. This terminology will be out of date in Turkey. Our struggle against terrorism will continue with determination, but in full conformity with human rights."

However, between January and March this year the İHD reported 32 cases of death from torture or while victims were in police custody. It counted 24 cases of "unknown killings", assassinations of opposition figures which rights groups believe are carried out on behalf of the security services. In March, there were 184 political prisoners in jail.

Women's groups have held weekly street protests in Istanbul for over two years, demanding information about relatives they say

were abducted by the security forces. Torture remains common. Human Rights Watch says torture, especially by anti-terror police units, "is neither spontaneous nor rogue. This unit has methodically incorporated torture and abuse into its daily operations utilising special equipment".

In 1995, Ankara amended the constitution and anti-terrorist legislation used to silence discussion of the Kurdish question. This year the government cut, communicated detention periods to between seven and 10 days.

However, human rights campaigners say the reforms are inadequate and that enforcement is weak because courts do not act against abuses by the security forces. General Çevik Bir, deputy chief of staff, said human rights "should not be abused for political purposes, to polarise society or dismember the country". Violations are particularly severe in the south-east of the country, where the army is fighting a 12-year war against guerrillas of the separatist Kurdistan Workers' party (PKK).

Turkey has more than 150 laws and regulations concerning freedom of expression. They are frequently used against Kurds and left-wing activists. It is an offence to insult the military or Kemal Atatürk, founder of the modern Turkish state. It is illegal to provoke ethnic, regional or religious hatred. Calling for the

division of Turkey is a terrorist offence. A state security court prosecutor has even demanded the death penalty for two Kurds who cut down the Turkish flag and hoisted the PKK flag at a party congress last year.

The government has mounted a legal war of attrition against human rights organisations. Last year, it demanded the closure of medical treatment centres for torture victims. Now it is trying to starve the İHD of funds, including EU grants. It recently asked an Ankara court to close down the association altogether.

Western governments value Turkey's strategic importance and want it to remain integrated in western institutions. Yet politicians are also under pressure from public opinion for a more aggressive stance towards Turkey.

The US Congress has imposed a *de facto* arms embargo on Turkey, primarily in protest at human rights violations. However, Mr Nicholas Burns, State Department spokesman, said: "Turkey should be more fully integrated into Europe despite the fact that there are problems on human rights."

The European Parliament has suspended aid except to organisations promoting human rights and democracy. EU member governments say resolution of the Kurdish issue and full respect for human rights are basic criteria for accession to the Union.

## Competition over policy

Continued from Page III

trade was only \$448m last year, although Israeli tourists spend another \$250m to \$300m a year in Turkey. Jerusalem expects trade flows to exceed \$2bn by 2000. The military even forced Mr Erbakan to see Mr David Levy, Israel's foreign minister, when he visited Ankara in April.

Quixotically, Mr Erbakan is trying to establish Turkey as leader of the Moslem world. Last year, he created the "Developing Eight" - or D-8 - group of Moslem countries that comprises Iran, Egypt, Indonesia, Pakistan, Nigeria, Bangladesh and Malaysia as a counterweight to the rich world's G-7 grouping.

Energy is an important foreign policy issue because energy consumption is growing by 10 per cent a year. Turkey imports much of its energy, so the government

wants good relations with Iran in spite of military accusations that Tehran exports "Algeria-type terror to Turkey" and supports Kurdistan Workers' party (PKK) guerrillas.

Although Turkey expelled the Iranian ambassador for making a speech in February calling for an Islamic republic in Turkey, it is going ahead with a gas pipeline to import \$23bn of natural gas under an agreement Mr Erbakan signed last year.

This has angered Washington, which is expected to block international financing for the pipeline. The US also worries that an increasingly volatile Turkey could increase the region's instability. Mrs Madeleine Albright, US secretary of state, has said "we feel it vital that Turkey remain a secular state". While the US has treated Welfare minis-

ters to glacial receptions in Washington, it has urged the EU to "embed" Ankara in European institutions.

Turkey imports most of its natural gas from Russia, a regional rival. However, domestic turmoil has undermined attempts to increase Turkey's influence in the oil-rich Caucasus and central Asia. A consortium of international oil companies, including Turkey's TPAO, must soon decide where to lay strategic oil pipelines linking Caspian Sea oilfields to western markets.

Turkey wants the principal pipeline to cross its territory, expecting it to yield rich contracts for Turkish construction companies, transit fees for the treasury, and political influence throughout the region. However, the Turkish route is only one of seven under consideration by the consortium developing the reserves.

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Co-Arranged by:  
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November 1996

CITIBANK

DOĞA ENERJİ  
Doğa Enerji Üretim Sanayi ve  
Ticaret Anonim Şirketi  
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Term loan facilities to finance a 180MW  
cogeneration power plant in Turkey

Sponsored by:  
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Doğa Enerji Yatırım İşletme ve Ticaret L.Ş.

Financial Advisor:  
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Arranger:  
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U.S. \$95,000,000 facility guaranteed by  
OPIC and funded through Citicorp Securities, New York  
U.S. \$35,000,000 facility insured by NCM  
U.S. \$6,000,000 Commercial Bank facility

Agent:  
Citibank International plc

April 1997

CITIBANK

Republic of Turkey  
U.S. \$108,518,740

Term Loan Financing: Gerede-Ankara  
Motorway Construction Project

U.S. \$53,000,000  
under Ministry of International Trade and Industry of Japan  
Overseas United Loan Insurance Program  
and  
U.S. \$47,518,740  
under the Export-Import Bank of the United States  
Guaranteed Loan Program  
and  
U.S. \$8,000,000

Arranged by:  
Citibank N.A.  
as agent of  
Overseas Bechtel Inc.

Agent:  
Citibank N.A., Tokyo Branch

March 1996

CITIBANK

Republic of Turkey  
U.S. \$50,000,000

Motorway Financing Facility

Euroloan Tranche USD 25,000,000

Co-Arranged by:  
Citibank International plc

Islamic Tranche USD 25,000,000 İstisna's Finance Facility

Co-Arranged by:  
Citibank International plc

December 1996

CITIBANK

Citibank has been active in the Republic of Turkey for over 20 years and has built strong relationships with its Government entities and financial institutions. The Republic of Turkey is just one of 51 countries in which Citibank, in 1996, acted as financial advisor, arranger of bank financing or lead manager of bond issues for projects. This confirms Citibank's reputation as one of the most global institutions in project finance.

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OTHER OFFSHORE FUNDS									
Fund Name	Share Class	Assets	YTD	1Y	3Y	5Y	10Y	15Y	20Y
Alpha Fund Management Ltd	Alpha Fund	\$1,234,567	12.3%	15.4%	18.5%	21.6%	24.7%	27.8%	30.9%
Beta Fund Management Ltd	Beta Fund	\$2,345,678	13.4%	16.5%	19.6%	22.7%	25.8%	28.9%	32.0%
Gamma Fund Management Ltd	Gamma Fund	\$3,456,789	14.5%	17.6%	20.7%	23.8%	26.9%	30.0%	33.1%
Delta Fund Management Ltd	Delta Fund	\$4,567,890	15.6%	18.7%	21.8%	24.9%	28.0%	31.1%	34.2%
Epsilon Fund Management Ltd	Epsilon Fund	\$5,678,901	16.7%	19.8%	22.9%	26.0%	29.1%	32.2%	35.3%
Zeta Fund Management Ltd	Zeta Fund	\$6,789,012	17.8%	20.9%	24.0%	27.1%	30.2%	33.3%	36.4%
Ethel Fund Management Ltd	Ethel Fund	\$7,890,123	18.9%	22.0%	25.1%	28.2%	31.3%	34.4%	37.5%
Theta Fund Management Ltd	Theta Fund	\$8,901,234	19.0%	23.1%	26.2%	29.3%	32.4%	35.5%	38.6%
Iota Fund Management Ltd	Iota Fund	\$9,012,345	20.1%	24.2%	27.3%	30.4%	33.5%	36.6%	39.7%
Kappa Fund Management Ltd	Kappa Fund	\$10,123,456	21.2%	25.3%	28.4%	31.5%	34.6%	37.7%	40.8%
Lambda Fund Management Ltd	Lambda Fund	\$11,234,567	22.3%	26.4%	29.5%	32.6%	35.7%	38.8%	41.9%
Mu Fund Management Ltd	Mu Fund	\$12,345,678	23.4%	27.5%	30.6%	33.7%	36.8%	39.9%	43.0%
Nu Fund Management Ltd	Nu Fund	\$13,456,789	24.5%	28.6%	31.7%	34.8%	37.9%	41.0%	44.1%
Xi Fund Management Ltd	Xi Fund	\$14,567,890	25.6%	29.7%	32.8%	35.9%	39.0%	42.1%	45.2%
Omicron Fund Management Ltd	Omicron Fund	\$15,678,901	26.7%	30.8%	33.9%	37.0%	40.1%	43.2%	46.3%
Pi Fund Management Ltd	Pi Fund	\$16,789,012	27.8%	31.9%	35.0%	38.1%	41.2%	44.3%	47.4%
Rho Fund Management Ltd	Rho Fund	\$17,890,123	28.9%	33.0%	36.1%	39.2%	42.3%	45.4%	48.5%
Sigma Fund Management Ltd	Sigma Fund	\$18,901,234	29.0%	34.1%	37.2%	40.3%	43.4%	46.5%	49.6%
Tau Fund Management Ltd	Tau Fund	\$19,012,345	30.1%	35.2%	38.3%	41.4%	44.5%	47.6%	50.7%
Upsilon Fund Management Ltd	Upsilon Fund	\$20,123,456	31.2%	36.3%	39.4%	42.5%	45.6%	48.7%	51.8%
Phi Fund Management Ltd	Phi Fund	\$21,234,567	32.3%	37.4%	40.5%	43.6%	46.7%	49.8%	52.9%
Chi Fund Management Ltd	Chi Fund	\$22,345,678	33.4%	38.5%	41.6%	44.7%	47.8%	50.9%	54.0%
Psi Fund Management Ltd	Psi Fund	\$23,456,789	34.5%	39.6%	42.7%	45.8%	48.9%	52.0%	55.1%
Omega Fund Management Ltd	Omega Fund	\$24,567,890	35.6%	40.7%	43.8%	46.9%	50.0%	53.1%	56.2%
Alpha Fund Management Ltd	Alpha Fund	\$25,678,901	36.7%	41.8%	44.9%	48.0%	51.1%	54.2%	57.3%
Beta Fund Management Ltd	Beta Fund	\$26,789,012	37.8%	42.9%	46.0%	49.1%	52.2%	55.3%	58.4%
Gamma Fund Management Ltd	Gamma Fund	\$27,890,123	38.9%	44.0%	47.1%	50.2%	53.3%	56.4%	59.5%
Delta Fund Management Ltd	Delta Fund	\$28,901,234	39.0%	45.1%	48.2%	51.3%	54.4%	57.5%	60.6%
Epsilon Fund Management Ltd	Epsilon Fund	\$29,012,345	40.1%	46.2%	49.3%	52.4%	55.5%	58.6%	61.7%
Zeta Fund Management Ltd	Zeta Fund	\$30,123,456	41.2%	47.3%	50.4%	53.5%	56.6%	59.7%	62.8%
Ethel Fund Management Ltd	Ethel Fund	\$31,234,567	42.3%	48.4%	51.5%	54.6%	57.7%	60.8%	63.9%
Theta Fund Management Ltd	Theta Fund	\$32,345,678	43.4%	49.5%	52.6%	55.7%	58.8%	61.9%	65.0%
Iota Fund Management Ltd	Iota Fund	\$33,456,789	44.5%	50.6%	53.7%	56.8%	59.9%	63.0%	66.1%
Kappa Fund Management Ltd	Kappa Fund	\$34,567,890	45.6%	51.7%	54.8%	57.9%	61.0%	64.1%	67.2%
Lambda Fund Management Ltd	Lambda Fund	\$35,678,901	46.7%	52.8%	55.9%	59.0%	62.1%	65.2%	68.3%
Mu Fund Management Ltd	Mu Fund	\$36,789,012	47.8%	53.9%	57.0%	60.1%	63.2%	66.3%	69.4%
Nu Fund Management Ltd	Nu Fund	\$37,890,123	48.9%	55.0%	58.1%	61.2%	64.3%	67.4%	70.5%
Xi Fund Management Ltd	Xi Fund	\$38,901,234	49.0%	56.1%	59.2%	62.3%	65.4%	68.5%	71.6%
Omicron Fund Management Ltd	Omicron Fund	\$39,012,345	50.1%	57.2%	60.3%	63.4%	66.5%	69.6%	

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 23/97)

Stock	High	Low	52w High	52w Low
AT 100 Index	2,563.9	2,547.9	2,543.0	2,503.9
AT 100 Index	2,563.9	2,547.9	2,543.0	2,503.9

BELGIUM (May 23/97)

Stock	High	Low	52w High	52w Low
BE 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
BE 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

GERMANY (May 23/97)

Stock	High	Low	52w High	52w Low
DAX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
DAX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

FRANCE (May 23/97)

Stock	High	Low	52w High	52w Low
CAC 40 Index	3,514.0	3,491.0	3,491.0	3,451.0
CAC 40 Index	3,514.0	3,491.0	3,491.0	3,451.0

ITALY (May 23/97)

Stock	High	Low	52w High	52w Low
FTSE 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
FTSE 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

NETHERLANDS (May 23/97)

Stock	High	Low	52w High	52w Low
AEX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
AEX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

PORTUGAL (May 23/97)

Stock	High	Low	52w High	52w Low
BVL 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
BVL 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

SPAIN (May 23/97)

Stock	High	Low	52w High	52w Low
IBEX 35 Index	3,514.0	3,491.0	3,491.0	3,451.0
IBEX 35 Index	3,514.0	3,491.0	3,491.0	3,451.0

SWITZERLAND (May 23/97)

Stock	High	Low	52w High	52w Low
SIX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0
SIX 100 Index	3,514.0	3,491.0	3,491.0	3,451.0

ASIA

HONG KONG (May 23/97)

Stock	High	Low	52w High	52w Low
HK 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
HK 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

INDONESIA (May 23/97)

Stock	High	Low	52w High	52w Low
JSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
JSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

JAPAN (May 23/97)

Stock	High	Low	52w High	52w Low
Nikkei 225 Index	10,514.0	10,491.0	10,491.0	10,451.0
Nikkei 225 Index	10,514.0	10,491.0	10,491.0	10,451.0

KOREA (May 23/97)

Stock	High	Low	52w High	52w Low
KOSPI 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
KOSPI 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

NETHERLANDS (May 23/97)

Stock	High	Low	52w High	52w Low
AEX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
AEX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

PHILIPPINES (May 23/97)

Stock	High	Low	52w High	52w Low
PSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
PSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

SINGAPORE (May 23/97)

Stock	High	Low	52w High	52w Low
SEAC 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
SEAC 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

TAIWAN (May 23/97)

Stock	High	Low	52w High	52w Low
TSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
TSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

THAILAND (May 23/97)

Stock	High	Low	52w High	52w Low
SET 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
SET 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

AMERICA

UNITED STATES (May 23/97)

Stock	High	Low	52w High	52w Low
Dow Jones Ind. Avg.	10,514.0	10,491.0	10,491.0	10,451.0
Dow Jones Ind. Avg.	10,514.0	10,491.0	10,491.0	10,451.0

BRITAIN (May 23/97)

Stock	High	Low	52w High	52w Low
FTSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
FTSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

FRANCE (May 23/97)

Stock	High	Low	52w High	52w Low
CAC 40 Index	10,514.0	10,491.0	10,491.0	10,451.0
CAC 40 Index	10,514.0	10,491.0	10,491.0	10,451.0

GERMANY (May 23/97)

Stock	High	Low	52w High	52w Low
DAX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
DAX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

ITALY (May 23/97)

Stock	High	Low	52w High	52w Low
FTSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
FTSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

NETHERLANDS (May 23/97)

Stock	High	Low	52w High	52w Low
AEX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
AEX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

PORTUGAL (May 23/97)

Stock	High	Low	52w High	52w Low
BVL 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
BVL 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

SPAIN (May 23/97)

Stock	High	Low	52w High	52w Low
IBEX 35 Index	10,514.0	10,491.0	10,491.0	10,451.0
IBEX 35 Index	10,514.0	10,491.0	10,491.0	10,451.0

SWITZERLAND (May 23/97)

Stock	High	Low	52w High	52w Low
SIX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
SIX 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

AFRICA

SOUTH AFRICA (May 23/97)

Stock	High	Low	52w High	52w Low
JSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
JSE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

EGYPT (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

ETHIOPIA (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

GHANA (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

KENYA (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

LIBERIA (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

MAURITIUS (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

SENEGAL (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

SIERRA LEONE (May 23/97)

Stock	High	Low	52w High	52w Low
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0
ESE 100 Index	10,514.0	10,491.0	10,491.0	10,451.0

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INDICES

Index	May 23	May 22	May 21	High	Low
Argentina (2000)	221.15	221.15	221.15	221.15	221.15
Australia (2000)	2563.9	2547.9	2543.0	2563.9	2503.9
Austria (2000)	3514.0	3491.0	3491.0	3514.0	3451.0
Belgium (2000)	3514.0	3491.0	3491.0	3514.0	3451.0
Canada (2000)	4274.0	4273.0	4252.0	4274.0	4214.0
Denmark (2000)	1281.0	1281.0	1281.0	1281.0	1281.0
France (2000)	3514.0	3491.0	3491.0	3514.0	3451.0
Germany (2000)	3514.0	3491.0	3491.0	3514.0	3451.0
Greece (2000)	1064.0	1064.0	1064.0	1064.0	1064.0
Hong Kong (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
India (2000)	4945.0	4945.0	4945.0	4945.0	4945.0
Indonesia (2000)	8021.0	8021.0	8021.0	8021.0	8021.0
Italy (2000)	3514.0	3491.0	3491.0	3514.0	3451.0
Japan (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Korea (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Malaysia (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Netherlands (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Philippines (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Portugal (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Singapore (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Spain (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Sweden (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Switzerland (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Taiwan (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Thailand (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
UK (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
USA (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
South Africa (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Egypt (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Ethiopia (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Ghana (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Kenya (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Liberia (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Mauritius (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Senegal (2000)	10514.0	10491.0	10491.0	10514.0	10451.0
Sierra Leone (2000)	10514.0	10491.0	10491.0	10514.0	10451.0

INDEX FUTURES

	Open/High	Low	Close	Change	High	Low	est. vol.	Open/High	Low	Close	Change
<b>S&amp;P 500</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>INDUSTRY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>TECH</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>ENERGY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FINANCIAL</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>HEALTHCARE</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>RETAIL</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>TRANSPORTATION</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>UTILITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>GOVERNMENT</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>FOREX</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>COMMODITIES</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0
<b>CRYPTOCURRENCY</b>	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0	2730.0</

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# Sweden

Financial Times. World Business Newspaper.

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## LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## CHEMICALS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ENGINEERING - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## EXTRACTIVE INDUSTRIES - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## INSURANCE - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## INVESTMENT TRUSTS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## BANKS, RETAIL

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## DISTRIBUTORS

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## BREWERIES, PUBS &amp; REST

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## BUILDING &amp; CONSTRUCTION

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## DIVERSIFIED INDUSTRIALS

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ELECTRICITY

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ELECTRONIC &amp; ELECTRICAL EQPT

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## BUILDING MATS. &amp; MERCHANTS

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## CHEMICALS

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ENGINEERING

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ENGINEERING - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## ENGINEERING, VEHICLES

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## EXTRACTIVE INDUSTRIES

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## HEALTH CARE

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## HOUSEHOLD GOODS

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

## INSURANCE

Company	Price
Adnoca	10.00
Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

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Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

دکتران الشمل



## FT GUIDE TO THE WEEK

MONDAY 26

## Reassuring Japan

Mrs Margaret Beckett, UK trade and industry secretary, arrives in Japan for a three-day visit. She will meet senior officials of Japan's Ministry of International Trade and Industry and the Finance Ministry, with the aim of reassuring Japan about the UK's business climate under the new government, and promoting British exports. Her meeting with Dr Shiohito Toyoda, chairman of the Keidanren, Japan's main industry body, may raise interesting issues. Dr Toyoda is also honorary chairman of Toyota, the carmaker. This year a senior colleague of his caused a political storm in the UK by saying Toyota would reconsider further inward investment there if the UK did not join the European monetary union.

## Hazardous chemicals pact



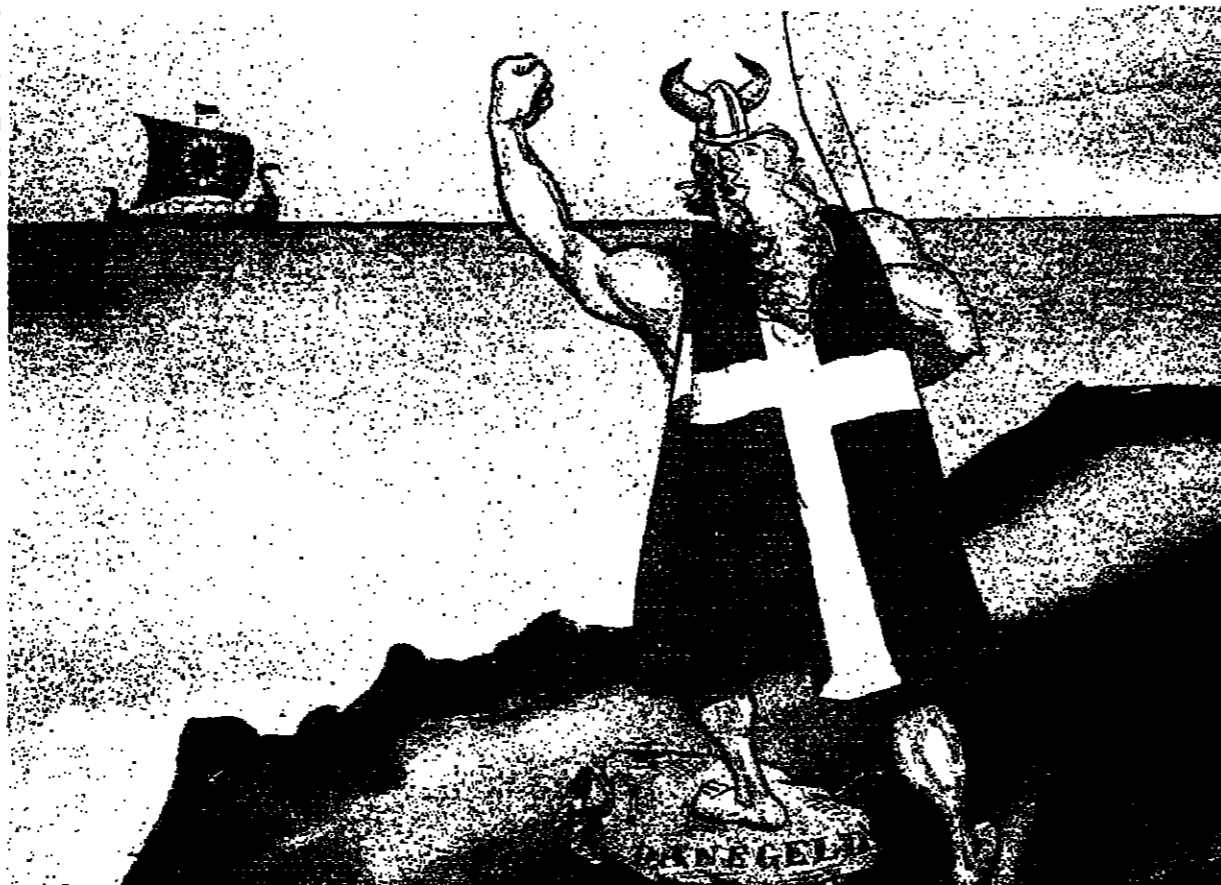
Governments begin a week of talks in Geneva on a new international treaty to ban the import of hazardous chemicals unless agreed by the importing country. The pact, due to be signed next December, would make mandatory the existing voluntary procedure of Prior Informed Consent, now used by more than 150 nations. Still to be decided is the list of hazardous chemicals to be included in the treaty, which is sponsored by the United Nations Environment Programme and the UN Food and Agriculture Organisation. Despite the voluntary scheme, dangerous chemicals (including some banned in the west) are still exported to developing countries unable to handle them.

## OECD agenda

Finance, economy and trade ministers of the 23 members of the Organisation for Economic Co-operation and Development start their two-day annual meeting in Paris. Their agenda is expected to include unemployment, international regulatory reform, trade and investment and a planned initiative to combat bribery and corruption. The ministers will also commemorate the 50th anniversary of the Marshall Plan, the US-led programme of economic reconstruction of Europe after the second world war, which led to the establishment of the OECD.

## Maastricht hearing

Denmark's appeal court is due to hear charges brought by a group of citizens against Mr Poul Nyrup Rasmussen, the Social Democrat prime minister, whom they accuse of violating the Danish constitution by signing the Maastricht treaty. They maintain that by committing Denmark to European Union membership under the



Today Denmark's appeal court is due to hear charges brought by a group of citizens that Mr Poul Nyrup Rasmussen, the prime minister, violated the constitution by signing the Maastricht treaty

Maastricht treaty of May 1993, Mr Rasmussen transferred more of the nation's sovereignty than was permitted by the constitution.

## FT Survey

Turkey

## Tennis

French Open (to June 8)

## Public holidays

Bahamas, Bermuda, Georgia, Gibraltar, UK, US (Memorial Day), Zimbabwe

TUESDAY 27

## Historic pact

Nato and Russia are to sign a historic pact in Paris which signalled the Kremlin's acceptance of the western military alliance's planned eastward enlargement. The deal followed months of negotiations. Both western and Russian leaders said it would reassure Moscow that Nato expansion did not constitute a threat while allowing the alliance to move into eastern Europe. President Boris Yeltsin and leaders from 16 Nato member states are due to attend the ceremony. Russia had been eager to conclude an agreement before Nato invites new members to join at its July summit in Madrid. Leading contenders for admission are Poland, Hungary and the Czech Republic.

## EU gas competition

EU energy ministers will hold their first meeting since December, with discussions likely to be dominated by

attempts to reach agreement on plans to open the EU's \$100bn-a-year gas market to cross-border competition. Officials hope ministers might agree on the broad framework today, clearing the way for a special meeting next month to decide on the extent and speed of market opening. But talks could be hindered by French political uncertainty, because of elections, and by disagreements over how to deal with the problem of European gas companies which have 20- or 30-year contracts with gas suppliers, and could see their market share reduced by competition.

## FT Survey

Spain

WEDNESDAY 28

## Unemployment protests



European trade unions are staging a day of action to protest at mass unemployment across the continent. The British Trades Union Congress is holding meetings across the country and Mr Robin Cook, the UK foreign secretary, will address union members in London. A big march is planned in Brussels by the European Trade Union Confederation. Demonstrations are planned in Paris and in German cities as well as in Spain and Italy. The gatherings will provide some indication of what power and influence European

labour can still mobilise in the run-up to the EU's Amsterdam summit conference on the jobs issue.

## Clinton visits Europe

The biennial transatlantic summit between the EU and US takes place in The Hague, where President Bill Clinton will meet Mr Wim Kok, prime minister of Netherlands, holder of the rotating EU presidency, and Mr Jacques Santer, European Commission president. Leaders will be signing two bilateral co-operation agreements on customs co-operation and control of chemical precursors to illegal drugs. The two sides may complete negotiations on a mutual recognition agreement, involving removing non-tariff barriers on \$40bn of traded goods. Discussions are also expected on the former Yugoslavia and Russia, relations with Cuba, Iran and Libya. Mr Clinton is expected to attend the 50th anniversary commemoration of the US Marshall plan for the reconstruction of post-war Europe.

## Latin American focus

Demand for Latin American art has been rising steadily in recent years and this week in New York both Sotheby's and Christie's are holding auctions. The top lot at Christie's this evening is "Paquete Azul" (Blue Package) by the contemporary Chilean artist Claudio Bravo. The painting, of a blue package, carries a top estimate of \$600,000. At Sotheby's on Thursday "Sandias" by the Mexican artist Rufino Tamayo is expected to sell for about \$1m. This still-life of water-melons and apples, painted in 1951, is regarded as one of his most significant works. "Paysage de Toledo", a large landscape painted

in 1917 by Diego Rivera, could make \$300,000.

## Ruling on Korean rights

A court in Osaka is due to rule on a case brought by Korean residents of the Japanese city who are seeking voting rights in local elections. Osaka has a large Korean community. Many of them are second or third generation descendants of workers who came to Japan when Korea was a Japanese colony, or who were brought over as forced labour during the war. Despite their long residence, many do not have Japanese citizenship, and so have been barred from participating in politics.

## FT Surveys

Luxembourg, FT Guide to Preparing for Enu, Croatia

## Soccer

European Cup final between Juventus and Borussia Dortmund in Munich

THURSDAY 29

## Pulp futures debut

London trading of pulp futures starts today for the first time. OMLX, the London-based securities and derivatives exchange operated by OM group of Sweden, says the contract will give participants in the pulp and paper industry - either sellers or buyers - a way to lessen exposure to price fluctuations through hedging. More than 15 wood pulp producers and consumers are to start dealing in the electronically-traded contract, called Pulpex, which is a direct challenge to the wood pulp futures market started by Finland's Futures and Options Exchange.

## Indonesian vote

Indonesian voters are set to go to the polls today to vote in parliamentary elections after a tightly controlled campaign, marred by violent clashes between rival party supporters. Golkar, President Suharto's ruling party, is set to win a sixth five-year mandate, clearing the way for presidential elections next year. Golkar said it expected to win 70 per cent of the vote, defeating the Islam-oriented United Development Party and Indonesian Democratic Party.

## Nato prepares for summit

Nato foreign ministers begin an informal two-day meeting in Lisbon to discuss enlarging the alliance and to prepare for the Madrid Nato summit in July. They are expected to agree to step up military manoeuvres for the Partnership for Peace, an arrangement that provides for military co-operation between Nato and former Eastern bloc states. The proposals include more frequent information exchanges and strengthening ties between partners and Nato's command structure.

## Clinton talks to UK cabinet

President Bill Clinton is to address the British cabinet in a move designed to

symbolise the close relations between the two countries. This would be the first time a foreign leader has addressed a British cabinet.

## Public holidays

Austria, Bolivia, Brazil, Chile, Germany (some states), Liechtenstein, Monaco, Poland, Portugal, Vatican City

FRIDAY 30

## Asean enlargement talks

Foreign ministers of the seven member nations of the Association of South East Asian Nations (Asean) meet in Kuala Lumpur (to May 31). They are due to discuss the proposed admission into the group of Burma, Cambodia and Laos, which are expected to be admitted this year in spite of objections from the US and European countries.

## FT Survey

Management Buy-Outs

SATURDAY 31

## Pope to visit Poland



Pope John Paul II starts a 10-day visit to his native Poland, his seventh since he started his pontificate 19 years ago. The object of the visit is religious but the Pope is due to meet the presidents of Poland, Germany, the Czech Republic, Hungary, Slovakia and Lithuania at Gdansk to spur central Europe's drive for integration with the EU.

## Soccer

Poland play England in a World Cup qualifying match at Chorzow.

## FT Survey

FT Guide to Retirement Planning

SUNDAY 1

## French election

Second round of the French parliamentary elections. The first round was held yesterday (May 25).

## Bolivian contest

Septuagenarian General Hugo Banzer is the front-runner in today's general elections in Bolivia, which mark 15 years of uninterrupted democracy. Although the former dictator may emerge as first-round leader, he will be far short of the 50 per cent required for outright victory. The six principal parties in congress will then decide which of the two leading candidates becomes president.

Compiled by Bob Vincent.  
Fax: (+44) (0)171 873 3194.

## Other economic news

Monday: Public holidays in the US and the UK today, but German CPI data from several states expected to be released, along with trade and current account figures for March.

Tuesday: US consumer confidence should be led higher by the recent performance of Wall Street, while house sales are likely to show sustained strength. French household consumption in April could pick up by enough to raise the annual growth rate to 0.4 per cent. Wednesday: The Bundesbank meets, although there are no expectations of a change to official interest rates. Japanese industrial production for April to remain firm, following the MITI forecast. Thursday: The UK deficit in visible trade should continue to bulge, towards £1bn (\$1.6bn) for March, while non-EU trade in April shadows March's £968m figure. Friday: A slew of data from Japan, led by unemployment and Tokyo's May CPI. But the large retail sales figures for April will show the effects of the rise in consumption taxes, and record a sharp fall.

## Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon		Japan	Apr supermarket sales**		8.4%	Thu		Canada	Apr raw materials price index	-1.4%	-1.0%
May 26		Japan	Apr department store sales**		23.1%	May 29		Japan	Apr industrial production†	0.6%	-0.3%
		Germany	Apr import prices*	0.2%	0.0%			Italy	Apr shipment†		0.8%
		Germany	Apr import prices**	2.5%	2.7%			UK	Apr hourly wages	4.5%	4.5%
		France	Apr consumer price index final†	0.1%	0.05%			UK	Mar global visible trade	-2900m	-2789m
		France	Apr consumer price index final**	1.0%	0.95%			UK	Apr ex-EU visible trade	-2600m	-2806m
		Germany	May Hesse cost of living*	-0.2%				US	Initial claims 24 May	321K	322K
		Germany	May Hesse cost of living**	1.1%				US	State benefits 17 May		2299K
		Germany	May N Rhine Westphalia cost living*	-0.1%				Canada	Mar fix-weight employee earnings**	2.5%	2.4%
		Germany	May N Rhine Westphalia cost living**	1.6%				US	M2 week ended 19 May	\$5.3bn	\$5.23bn
Tue		France	Apr household consumption†	0.6%	0.0%			Netherlands	Q1 gross domestic product prelim**	0.5%	0.5%
May 27		Sweden	Mar industrial production**	5.8%	7.8%			Netherlands	Q1 gross domestic product prelim†	3.2%	3.0%
		US	BOT-Mitsubishi 24 May		0.3%	Fri		US	Q1 gross domestic product prelim	6.0%	5.6%
		US	Apr existing home sales	4.10m	4.11m	May 30		US	Q1 gross domestic product price index	2.7%	2.7%
		US	May consumer confidence	117.5	116.8			Japan	Apr consumer price index (national)**	1.6%	0.6%
		US	Pedbook 24 May		0.8%			Japan	Apr unemployment rate	3.2%	3.2%
		Japan	May wholesale price index 2nd 10 days	-0.1%				Japan	Apr retail sales**		14.1%
		Japan	Apr BOJ corporate services prices**	-0.4%							
		Japan	Apr BOJ corporate services prices†	0.2%							
Wed		Germany	Mar trade balance	DM7.5bn	DM9.2bn			Italy	Apr M2 3-month average	7.4%	7.3%
May 28		Germany	Mar current account	DM1.0bn	DM1.5bn			Italy	Apr total bank lending	2.5%	2.2%
		France	May INSEE industrial survey	-1.0	-3.0			Germany	Apr Ikon consumer climate		86.0
		US	Apr durable orders	1.0%	-3.0%			Germany	May prelim cost of living* west	0.2%	-0.24%
		US	Apr durable shipments		0.7%			Germany	May prelim cost of living** west	1.2%	1.396%
		Canada	Apr industrial prod price index*	0.3%	0.2%			Italy	Mar trade balance (payments)		L1600bn

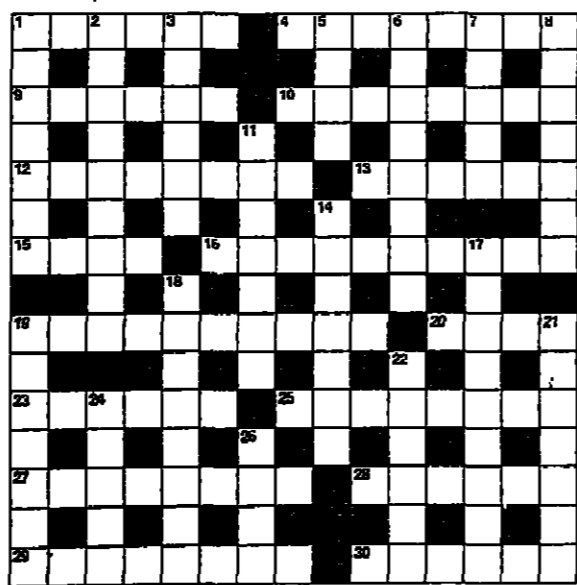
\*month on month, \*\*year on year, †qtr on qtr, ‡seasonally adjusted Statistics, Standard & Poor's MARK

## ACROSS

- Very blue swan with a high voice (9)
- To reverse excessively in a dance is silly (8)
- An indistinct impression of untidiness (6)
- Some pressure in factory with single refreshment counter (8)
- I acted in variety show (9)
- Be still shivering (8)
- Badly delivered over to knock about (4)
- Untrustworthy advice for cheaper air travel (3,9,5)
- An opportunity to put one in the picture? (6,4)
- I love getting a thank-you letter (4)
- I breathe fresh air in part of Spain and Portugal (5)
- Reg gets entangled with metal wire (8)
- The prototype of an oil-rig installation (8)
- Sleeping fish? (6)
- Sweetheart joins sergeant in dance (6)
- A horse that's better in the long run (6)

## DOWN

- Sack for someone who takes money (7)
- Legally under constraint to jump across (5,4)
- There must be the will to provide it (6)
- Forget to put it on the order (4)
- Learn to become easy-going (8)
- Initially it may be uphill, even steep (5)
- Item with which man covers a limb (7)
- Runner allowed to enter the rerun heat (7)
- She is seen in an evil environment looking shame-faced (7)
- A mundane subject (9)
- Possibly given tie in case (8)
- Extra benefit one sort of bowler on cricket side provides (4,3)
- Kick out married lover (7)
- Is getting in support to stand one's ground (6)
- In the border I can find heather (5)
- Mineral used as a filler for dental cavities (4)



WINNERS 9,372: Miss M.A. Flack, Sawston, Cambs; N. Chandra, Washington DC, USA; Miss J. Cotterill, Wellesbourne, Warwick; T. Penhale, Torquay, Devon.

## MONDAY PRIZE CROSSWORD

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Name: \_\_\_\_\_  
Address: \_\_\_\_\_

## Solution 9,372

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CAPER SOUTHWARD  
A T V H A E G I  
CHINESE SURFLESS  
I L R A T  
AMISS MYSTERIES  
A P A T U N  
CONTAINER MIBER  
O G I E  
NOUGHTS CROSSES  
P N E E T P I  
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